Appendix C. Market Analysis

Economics Research Associates

CITY OF CHULA VISTA URBAN CORE SPECIFIC PLAN MARKET ANALYSIS

Submitted to:
THE CITY OF CHULA VISTA

Prepared by:
Economics Research Associates

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GENERAL LIMITING CONDITIONS

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I. Introduction and Summary Findings

Introduction

The City of Chula Vista retained Economics Research Associates (ERA), under subcontract with RRM Associates, to review the market for infill development and redevelopment as input to the Chula Vista Urban Core Specific Plan. Exhibit I-1 shows the Study Area, which is bordered by Freeway I-5 to the West, Palm Oaks Street to the East, C Street to the North, and L Street to the South.

The purpose of this report is to describe the regional economic and demographic context in which development will take place, review the current real estate market for commercial and housing development; assess the Urban Core's strengths, weaknesses, opportunities, and threats for development; and estimate support for the long-term development in the Urban Core.

Summary Findings

Regional Economic Context

The strong and relatively secure regional economic environment provides an excellent context in which to undertake future development in the Urban Core. The shortage of affordable market rate housing presents an opportunity for the Urban Core to increase its housing stock and find a ready market.

Regionally, residential development is the dominant land use in terms of aggregate value among the classes of new development. A strategy to transform the Urban Core sooner rather than later should fundamentally be based on opportunities for new residential development.

Urban Core's Economic Position

Redevelopment, infill development, and revitalization of existing development will take place within a growing and dynamic market, though one that is increasingly less affordable. The region's diversified economy provides stability, while projected shifts in regional growth patterns towards South County will generate new opportunities for the Urban Core if development there is priced competitively. The Urban Core's location between two growing economic hubs – Downtown San Diego and Tijuana -- is well positioned within coastal South County for capturing a significant share of regional growth.

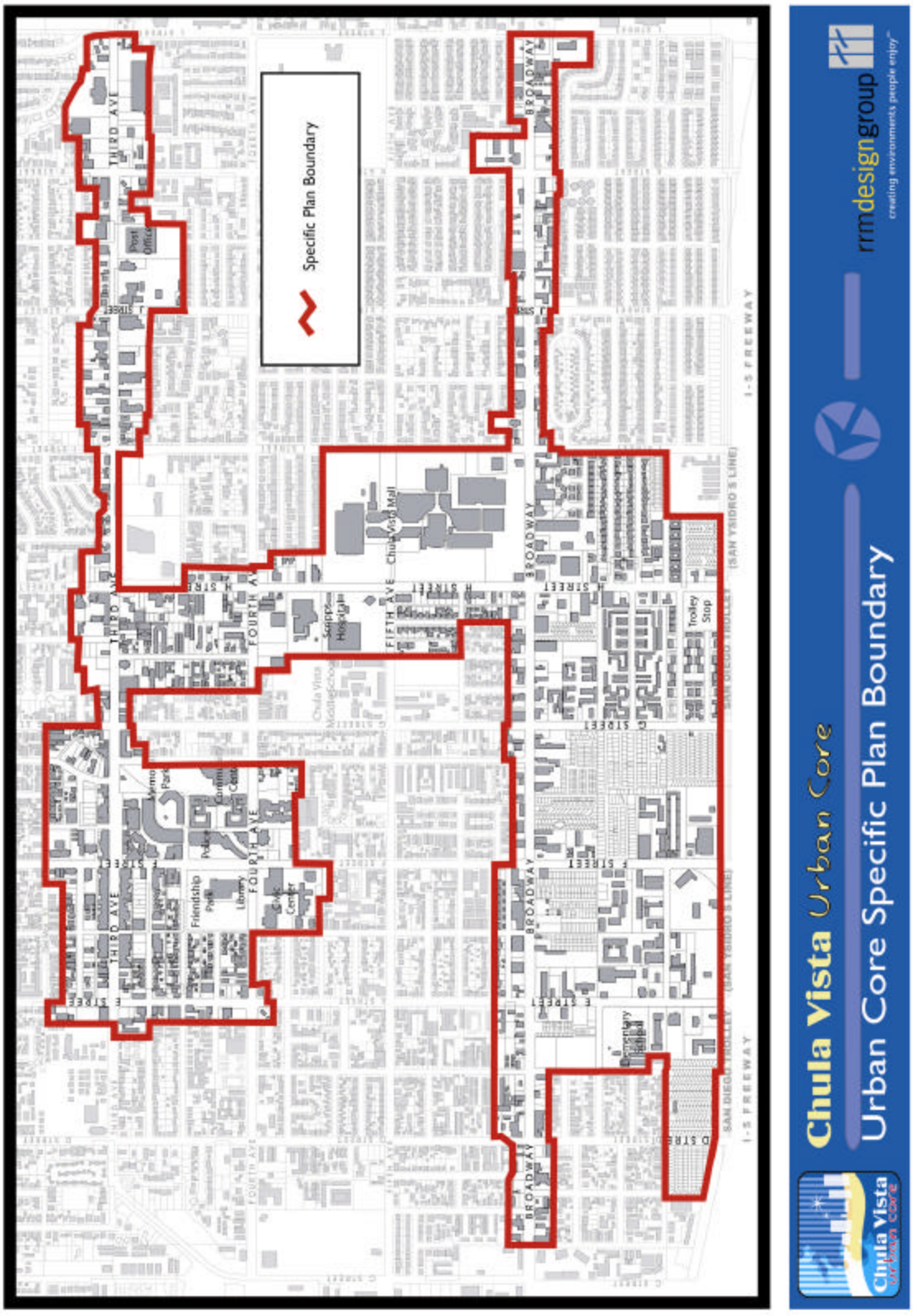


Exhibit I-1 Study Area

While Chula Vista has been growing along with the region, western Chula Vista's 8,000 additional jobs projected between 2000 and 2030 is a declining share of citywide job growth. Existing SANDAG forecasts indicate that western Chula Vista, which includes the Urban Core, may continue to see a declining share of sub-regional growth as new development continues in eastern Chula Vista and elsewhere in South County. Despite its declining share of citywide employment, western Chula Vista's (SRA-21) 44,800 jobs forecasted by 2030 will still remain a majority share of citywide employment (56 percent in 2030 compared to 68 percent in 2000). Some of the projected declining share of future job growth reflects existing land use policies and the build-out nature of western Chula Vista, compared to other, newer areas of South County. Policies in the Urban Core and elsewhere in western Chula Vista, such as the Bayfront, that expand development capacity could change these assumptions, particularly if the development and community characteristics are of a competitive quality.

Chula Vista's taxable sales per capita are approximately 9 percent lower than the countywide average, which reflects net leakage of retail sales and Chula Vista's lack of tourism sales. Still, taxable sales grew by 3.7 percent per year between 1997 and 2002. The Urban Core can play a role in recapturing some sales that are lost to other jurisdictions. The Urban Core traditionally has been an important retail area for Chula Vista and South Bay residents, and consumers from Mexico; however, its share of citywide sales, though still large, is falling except for apparel and food stores in recent years, as new retail centers are developed in eastern Chula Vista.

Retail development and revitalization will be an important component of the Urban Core's future. The Urban Core's share of citywide apparel sales is rising. Apparel sales may have increased its market share due growth in cross border trade that is important to Chula Vista Center, growth in the South Bay regional population, and the limited amount of fashion stores included in the new developments in eastern Chula Vista (though this will change when the new regional mall planned in Otay Ranch is developed). While the Urban Core's retail outlets will benefit from the growing consumer base in South Bay, the Urban Core's traditional commercial role will have to adjust to growing competition, including eastern Chula Vista, the border communities (especially for Mexican trade), and downtown San Diego (for entertainment and dining), by finding new niches and serving more focused geographic areas. The Urban Core's market share of regional sales will probably decline as new competition develops, but absolute sales and supportable space will expand as the market population, particularly in western Chula Vista, grows.

While the Urban Core has visitor-serving uses, such as motels, and is along a major tourist travel corridor along the I-5 to Mexico, it currently is not very competitive in the regional tourism market. Its current minor niche is lodging for the budget traveler. Chula Vista's Bayfront is key for penetrating the region's visitor market, especially the traveler market to Mexico. The Urban Core's opportunity to improve its share of the visitor market would be enhanced with a strong link to the Bayfront. If the Urban Core is to attract visitors to the region on its own, it will have

to develop a unique niche, probably centered on culture, music, and food, and as an affordable location with amenities for the business market. Still, regional competition is great, and tourism will probably be a minor component of the Urban Core's economy.

The Urban Core, with the Bayfront, does have the opportunity to leverage the Mexican market to expand the reasons Mexicans shop in Chula Vista, from staples, fashion, and services, to dining and entertainment, particularly for families. There are many links between residents in South Bay and Tijuana, such as business, family, and friends, and the Urban Core can position itself as one of the primary areas within the border zone region where cross border business networking and personal gatherings can occur. The importance of the Mexican market to Chula Vista, however, should diminish somewhat, though remain significant, as the resident consumer base in the South Bay market area grows and opportunities diversify.

Demographics

SANDAG forecasts relatively lesser population and household growth, a largely aging population, a more diversified Hispanic and multicultural population, and relatively lower incomes and education levels in western Chula Vista and the Urban Core compared to countywide averages. These characteristics have implications for housing affordability and consumer buying power and preferences.

SANDAG's forecasts, however, reflect existing trends and capacities associated with current General Plan land use policies. Since SANDAG forecasts significant growth in South Bay that will change South Bay's demographic characteristics, the opportunity exists for the Urban Core to reinvent itself by changing land use policy to accommodate a greater share of South Bay and countywide growth, and modify its projected demographic characteristics in the process. The natural aging of the existing population in the Urban Core, particularly in single-family housing neighborhoods where properties overtime will turnover to new households, may also change the Urban Core's demographic profile over the next couple of decades.

While the opportunity exists to diversify the Urban Core's demographic trends, it should be recognized that most of the Urban Core's and western Chula Vista's demographic characteristics is already in place, associated with existing housing, and that these characteristics will continue to have influence even as the Urban Core diversifies with new development.

Many of the demographic trends are regional. The average age of the population is rising, as the baby-boom generation ages, and housing and districts that appeal to an aging population will be important. Environments that appeal to a multi-cultural population will be important. Housing that is affordable will be important.

The Real Estate Market

The real estate market indicators are strong for the residential and retail sectors, with rising prices and low vacancy rates countywide and within the Urban Core. Though rising, commercial retail monthly rents ($1.00 to $2.60 NNN per s.f.) and apartment rental rates ($0.61 to $1.29 NNN per s.f.) in the Urban Core are below average, reflecting its older building stock. Occupancy rates are very high, indicating strong demand at existing price points. It would be difficult to support new development at commercial retail and apartment rental rates associated with the Urban Core's older building stock. New development will have to achieve rents that are higher than average for the Urban Core. Limited recent examples demonstrate that this is possible, such as the Chula Vista Gateway mixed-use project, with retail in the first story and office space above. While there has been little new housing development in the Urban Core, several projects are proposed, which demonstrate that developers believe they can command rents and prices that are higher than existing market rents and prices for older properties.

Examples of new ownership housing are limited; however, the resale price of existing single-family homes ($468,000 in April, 2004) and condominiums ($350,000 in April, 2004) are growing and healthy, and only moderately lower than the countywide average. The relative affordability of housing in the Urban Core provides a near to mid-term advantage and market opportunity.

While the office sector countywide has moderately higher vacancy rates than other types of income property, office space in the Urban Core has low occupancy rates. Monthly rents in the Urban Core for most properties ($1.65 to$1.85 NNN) are lower than average, reflecting the older nature of most existing office buildings. The higher rents ($2.50 to $2.75 NNN) and strong occupancy rates achieved at the Gateway project, however, indicate that quality new office developments can generate relatively high rental income. Whether these values were achieved due to pent-up demand from a market that had not seen new Class A office development in decades, or reflect a developing and sustainable office sub-market remains to be seen.

The lodging inventory in the Urban Core, which is comprised of older properties, is positioned for the budget traveler. The low rents and occupancy rates, and declining transient occupancy taxes (TOT) revenues indicate that lodging is the weakest of the land uses that the Urban Core may potentially develop. While South Bay at some point may support a business hotel, Chula Vista's Bayfront or the Eastern Urban Center may be better positioned.

Commercial and residential land prices in the Urban Core ($47 to $63 per s.f. for commercial and $20 per s.f. for residential), though high for Chula Vista, are low relative to downtown San Diego, and present an opportunity to capture development, particularly urban housing development, that use to be feasible in downtown San Diego, but are no longer feasible given

downtown San Diego's land prices. Compared to eastern Chula Vista, however, the Urban Core achieves lower rents, but higher land prices, which makes it financially difficult to develop a financially feasible project. Future densities in the urban core probably have to be higher than existing densities to achieve enough revenue per acre to cover land costs. How developers provide parking affordably while increasing densities, while keeping rents and prices in line with the market, will be an important challenge.

Long-Term Development Parameters

Office Development

It is estimated that the Urban Core may reasonably expect to absorb approximately 750,000 to 1.1 million square feet of office space by 2030, in addition to existing supply, under the Moderate to High scenarios. The potential amount demanded would be less under a Low scenario, but planning policy should not unduly constrain potential upside growth if the more optimistic scenarios materialize.

Retail Development

The Urban Core has access to several potential consumer markets, including local and out-of-area households, downtown area employees, overnight visitors and cross border shoppers.

It is estimated that the Urban Core could support approximately 2.3 million square feet of gross leasable retail space, including existing retail space within the Urban Core, such as Chula Vista Shopping Center, 3rd Avenue, E Street, H Street, and Broadway. This amount could be higher if household and population capacity is enhanced, and average incomes rise with new development.

Housing Development

It is reasonable to assume that build-out capacity in the South Suburban MSA will increase, which would result in greater growth in the sub-market than SANDAG currently forecasts past the year 2020. Chula Vista is contemplating such increases as it updates its General Plan, including within the Eastern Urban Center, Downtown, and the upland portions of the Bayfront. The City of San Diego is considering adding housing capacity to the Otay Mesa Community Plan. San Ysidro and National City redevelopment efforts contemplate new urban housing capacity. While most of these changes in policies that will increase housing capacity have not yet been approved, it is likely that some will be approved given the regional housing affordability issue.

Assuming that household growth in the South Suburban MSA continues between 2020-2030 at the same rate as SANDAG forecasts for the 2010-2020 period, and that the Urban Core can

capture a significant share of this growth, the Urban Core might accommodate over 1,500 to over 3,600 new housing units between 2000 and 2030, including potentially small-lot single-family homes and attached town homes, and multi-family ownership and rental properties at various densities and heights.

Lodging

Lodging prospects are limited due to the lack of a major generator for overnight tourism demand, and the competitive advantage of lodging planned on Chula Vista's Bayfront. Waterfront hotels have traditionally performed better than the general lodging market due to the popularity of ocean views and bay access. Lodging within the Urban Core will probably have to position itself for the economy class, or a lower price point than planned at the Chula Vista Bayfront, and target travelers along Interstate 5 heading to and from Baja California, business travelers, and visiting families and friends.

Financial Considerations

The amount of revenue a property can generate relative to increases in costs must be greater to induce private redevelopment and renovation, without public subsidies. Rents and home prices, and densities, will have to be greater to generate this additional revenue.

How parking is addressed, in terms of standards (such as reducing standards near transit or allowing shared parking standards for mixed-use development), location (forming parking districts that can pool parking in-lieu fees to provide serviceable off-site parking at a lower cost due to economies of scale), and type (ensuring parking development costs are commensurate with achievable rents) is important.

Another major issue that will affect feasibility is the ultimate impact fee costs, given the potentially higher cost of providing public facilities in an existing community to serve the additional population.

If the Urban Core Plan's allowable densities requires subterranean parking, rents and home prices per square foot will have to be even greater to afford the high cost of subterranean parking. A Keyser Marston Associates (KMA) study for the City of Chula Vista that tested the residual value of alternative forms of housing at different densities and assumed impacts concluded that townhomes and mid-rise condominium development currently are the most feasible housing prototype, supporting current estimates of acquisition costs for improved properties in western Chula Vista. The feasibility of high-rise condominium development appeared low because of the higher costs relative to prices, although a relatively modest increase in high-rise price

assumptions (which the Chula Vista Urban Core could evolve into) would make high-rise development feasible. KMA concluded that rental rates currently are too low to support increases in land values and construction costs.

Building upon KMA's analysis and using similar impact fee factors, ERA evaluated three hypothetical mixed-use housing and retail scenarios on 50,000 square foot lots, and applied the draft development standards prepared by RRM Associates. The first two scenarios were variations of mixed-use development within the V-2 Village area. The first scenario, V-2-A, assumes that development maximizes the allowed floor-area ratio (FAR), necessitating subterranean parking. The second scenario, V-2-B, assumes that only one level of lower cost tuck-under parking (half level below grade and half above grade, utilizing natural ventilation) is developed and the number of residential units is limited by the parking supply. Both of these scenarios assume that commercial parking requirements is satisfied off-site through parking in-lieu fees. The third scenario, V-12, assumes a high-rise, transit-oriented, mixed-use development were all parking is placed on site. Theses analyses are presented in Appendix A.

The estimated residual land values that these scenarios may support are as follows:

Scenario	**Residual Land Value Per S.F. of Land Area**
V-2A: FAR Capacity	$21
V-2B: Parking Constrained	$71
UC-12: Transit-Oriented High-Rise	$22

While these prices are comparable for higher density residential and commercial land in the urban areas of South Bay, only the Parking Constrained scenario generates sufficient value to recover the cost of property acquisition that includes land and existing improvements, which is the more common scenario within the Urban Core. The reason the Parking Constrained scenario performs better is that the high cost of subterranean parking is avoided. The UC-12 scenario, the Transit-Oriented High Rise Scenario, must compensate for higher construction costs per unit associated with high-rise development, which reduces residual value given market prices.

Based on this analysis, the City should strive to improve the feasibility of private redevelopment by doing the following:

- Strive to reduce the impact fee cost burden on development through efficient infrastructure planning, and the use of public funds (such as redevelopment funds) to cover some of the costs of infrastructure and public facility provision;

- Reduce parking in-lieu fees by developing district parking as a public/private partnership, and/or base fees on the provision of common surface lots, rather than structured parking.

These measures are particularly important in the early phases of the Urban Core's redevelopment. Overtime, as prices and rents rise in real terms relative to construction costs, the residual land value of development will rise and the ability for private parties to purchase existing properties, without subsidy will improve, as will development's capacity to absorb higher parking and impact fee costs.

The Urban Core's Competitive Strengths, Weaknesses, Opportunities & Threats

Development prospects within the Urban Core have many competitive strengths and opportunities, but also some competitive weaknesses to overcome and potential threats to avoid and prepare against.

Strengths

- Location between downtown San Diego and Tijuana
- Established retail market concentration
- Proximity to the Bay and potential view development
- Established employment, retail, and residential center with high occupancy
- Public investment in infrastructure
- Quality entry-level and mid-market rate ownership housing
- Transit linkages and good regional highway access
- Traditional downtown district

Weaknesses

- Relatively lower incomes
- Limited visitor industry
- Low hotel room rates and occupancy rates
- Aging building stock
- Relatively lower rents that discourage investment
- Public facility deficiencies
- Relatively neutral regional market image
- Relatively weak linkage with the Bayfront

Opportunities

- Affordable development relative to downtown San Diego
- Ability to capture a larger share of housing demand than SANDAG forecasts
- An alternative and more affordable urban lifestyle than downtown San Diego
- Coastal view development and links to the Bayfront
- Pedestrian and transit-oriented development
- Ability to intercept Mexican consumers
- Become South County's office employment, retail, and entertainment center
- Become a meeting place for San Diego/Mexico business and personal networks
- Housing for many incomes, preferences, and cultures

Threats

- Competition from other mixed-use urban nodes in the region
- Competition from Bayfront development if not linked with core
- Competition from the Eastern Urban Center if not adequately distinguished
- Cost and complexity of land assembly and infill development
- Infrastructure and public facility constraints and mitigation costs
- Not overcoming a "second tier" reputation in the regional market
- Exposure to Mexican currency fluctuations

Concentrating efforts in keystone districts within the Urban Core to show success and generate some critical mass, rather than dilute efforts with individual scattered developments, may be important for generating momentum and long-term success, so that people choose to live, shop, and work in the Urban Core because of its own distinct identity.

II. Market Context

Regional Economic Base

San Diego has a strong and diversified regional economy. The major contributors to the economy (as measured by contribution to the Gross Regional Product) are manufacturing, the military, tourism, business and technology services, and trade. This diversity provides both stability and an entrepreneurial spirit exemplified by the region's many small businesses.

According to the San Diego Regional Chamber of Commerce, San Diego County's gross regional product[1] (GRP) grew dramatically in real terms (adjusted for inflation) from 1980 to 1990. The economy faced a structural change as the Cold War ended and the defense industry, in particular the aerospace industry, contracted. This structural change combined with a national recession stagnated and even decreased the GRP in the early 1990s. The economy rebounded slowly up to 1995. Since then, the economy's growth has accelerated until the early 2000s, and has continued to grow at a slower rate in the early 2000s. The period from 1997 to 2000 registered the most impressive growth, as shown in Exhibit II-1.

Population has grown with the economy's growth, fueled by foreign and national migration and the natural increase of the base population. San Diego County's population grew by almost 494,000 people between 1990 and 2003, from 2.5 million to 3.0 million, for an average compounded annual growth rate of 1.4 percent. Due to the recession experienced during the first years of the 1990's decade, the real gross regional product per capita, adjusted for inflation, experienced negative annual growth rates between 1991 and 1993, grew 0.7 percent in 1994 and increased steadily thereafter, reaching 6.9 percent in 1999 and 8.0 percent in 2000.

During the period between 2000 and 2003, the San Diego Region added more than 173,400 new residents, increasing its population by 6.1 percent. Due to the growth in population, the real gross regional product per capita, adjusted for inflation, experienced more modest annual growth rates in 2001 (0.6 percent), 2002 (0.3 percent) and 2003 (1.4 percent), compared to much higher GRP growth rates per capita from 1996 to 2000.

The tragic events of 9/11, 2001 have resulted in an increase in spending for military and defense, which has reinvigorated these traditional San Diego industries. In 2002, the region had more than 105,000 Active Duty Personnel and 24,000 Department of Defense civilian jobs. Defense

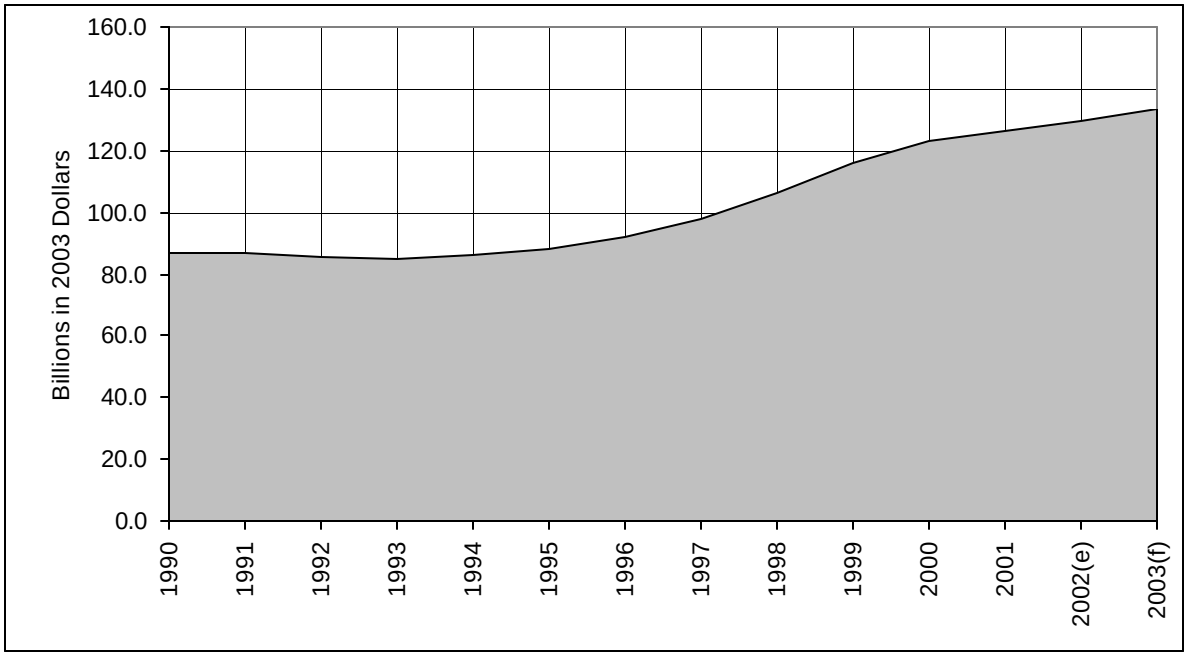
[1] This measure is the regional version of the Gross Domestic Product, or GDP, which is a measure of total economic output.

expenditures in the region increased by $3.2 billion in 2002, a 30 percent increase from Department of Defense expenditures in 2001,

While the military and defense industries are important to the region, businesses, universities, and institutes in San Diego County developed strong technical industries in the later 1980s and 1990s, such as biotechnology (the region is the third largest biotech cluster in the United States), telecommunications, software, medical instruments, electronics, etc. Trade has grown, first with the maquiladora program, then NAFTA. Tourism remains strong.

Today, the region's economic base is more diverse than it has ever been and is better prepared to face future economic downturns, thereby lessening the region's reliance on the defense industry and federal expenditures, the contraction of which greatly affected the economy during the 1990's recession.

Exhibit II-1 San Diego County Real Gross Regional Product



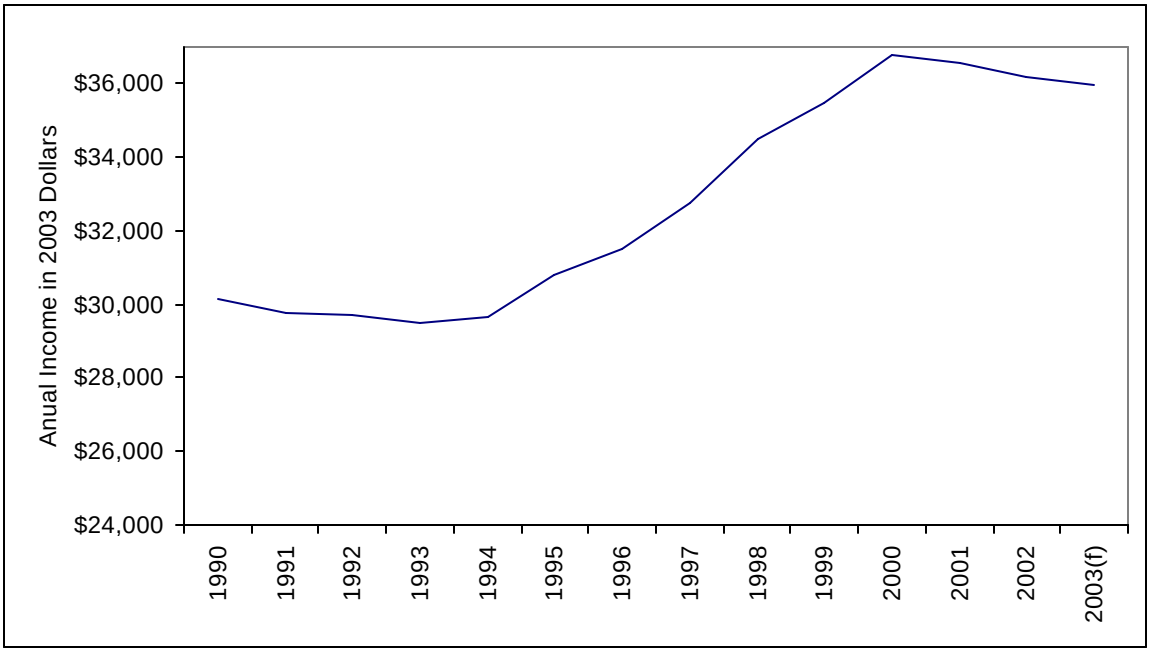
Source: San Diego Regional Chamber of Commerce.
San Diego Economic Bulletin, Forecast 2003, Volume 51, Number 1.

In 2003, 1.43 million people were employed on average in San Diego County throughout the year and the unemployment rate stood at 4.4 percent. Although the unemployment rate has increased from the 3.4 percent in 2001, San Diego has performed better than the state of California, which

recorded an unemployment rate of 6.5 percent[2] in 2003. It should be mentioned that the recent increase in the unemployment rate is partly due to people moving to the region, attracted to the strong economy, and not the result of a weak job generation. In 2002, more than 10,000[3] jobs were added to the local economy, contrasting with the 125,000[4] jobs lost in the State of California as a whole. San Diego's rate of 4.4 percent is at or near the generally accepted "full employment" threshold.

San Diego County's personal income per capita, in real terms adjusted for inflation, increased substantially during the 1980's, but declined during the first half of the 1990's as a result of the recession. Recovery started in 1994 and per capita income topped in 2000, but has decreased slightly in recent years, as illustrated in Exhibit II-2.

Exhibit II-2 San Diego County Real per Capita Income



Source: San Diego Regional Chamber of Commerce.

Perhaps the greatest contributor to price inflation in the region is the cost of housing. San Diego County has become one of the least affordable housing markets in the country. Following the 1990's recession, home prices have increased every year since 1996. Adjusted for inflation, the

[2] San Diego Regional Chamber of Commerce, 2003 Economic Outlook

[3] San Diego Regional Chamber of Commerce, 2002 Year in Review, Volume 51, Number 3

[4] idem

average home value in the county has increased 76.4[5] percent since 1995, for a compound annual growth rate of 7.3 percent, well above the annual inflation rate. Such increases are the result of various economic factors, such as stable economic growth, high migration rates that increase the demand for housing, scarcity of land and housing supply, and historically low interest rates.

Affordability has become a major concern for the region's economy, as the proportion of local households that can afford a home has dramatically decreased in the last 10 years. During the 1994 recession, the proportion of households who could afford the median price home was 48 percent; today, only 16 percent of households can afford the median price home in San Diego County[6].

The future bodes well for the region's economy due to its diversity, federal expenditures, proximity to Mexico, qualified workforce, and amenities and destinations that attract tourists. Defense will continue to be an important part of the region's economy for the foreseeable future. Technology companies will also drive growth for the region. The tourism industry is expected to attract more visitors in years to come. San Diego County's proximity to large short-haul markets, such as Southern California, Northern California, Arizona and other western states shelter the region's tourism economy somewhat from potential disruptions to national and international travel. The region's economy has also benefited from NAFTA related trade given its strategic geographic location. Since its inception in 1994, the total dollar volume of international trade has more than tripled in the region.

The strong and relatively secure economic environment provides an excellent context in which to undertake future development in the Urban Core. The shortage of affordable market rate housing presents an opportunity for the Urban Core to increase its housing stock and find a ready market.

Development Trends

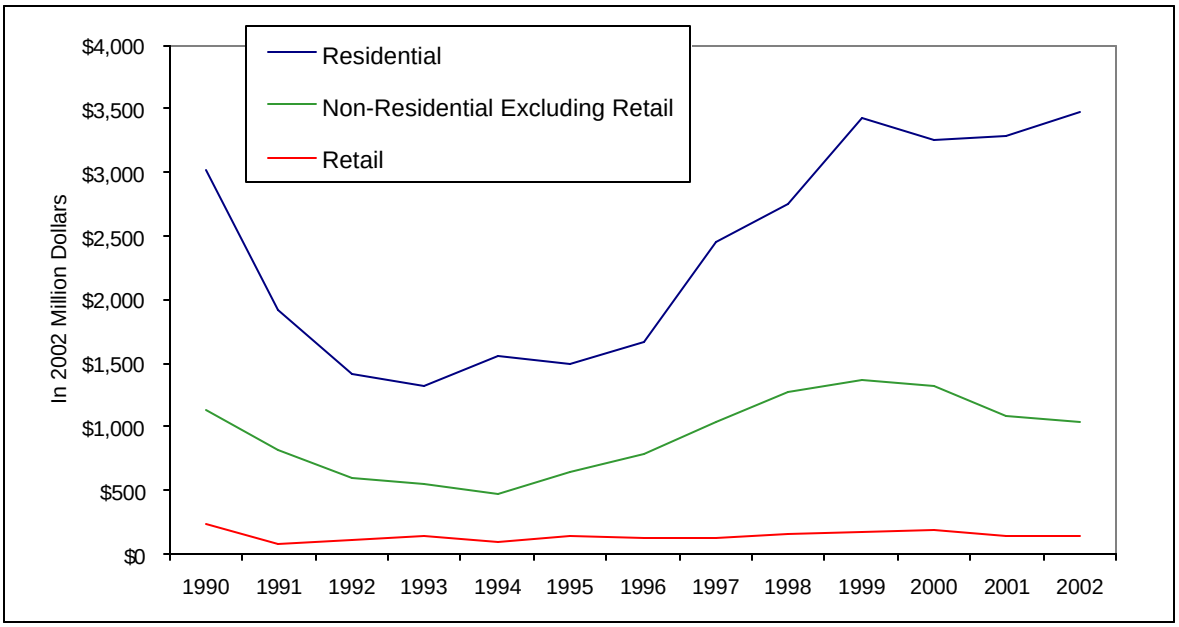
Exhibit II-3 shows San Diego County development trends measured by permit valuation (in 2002 dollars) for residential development, non-residential development excluding retail, and retail development. Residential permit value averaged $2.4 billion from 1990 to 2002 in constant 2002 dollars, reaching $3.5 billion in 2002. Non-residential permit value, excluding retail permits, averaged $0.9 billion from 1990 to 2002 in constant 2002 dollars, reaching $1.0 billion in 2002. Retail permit value averaged $145 million from 1990 to 2002 in constant 2002 dollars, reaching $138 million in 2002.

[5] San Diego Regional Chamber of Commerce, Economics Research Associates

[6] San Diego Regional Chamber of Commerce, San Diego Economic Bulletin

Exhibit II-4 shows development trends in the City of Chula Vista measured by permit valuation (in 2002 dollars) for residential development, non-residential development excluding retail, and retail development. Residential permit value averaged $288 million from 1990 to 2003 in constant 2002 dollars, reaching $606 million in 2003. Non-residential permit value, excluding retail permits, averaged $29 million from 1990 to 2003 in constant 2002 dollars, reaching $50 million in 2000. Retail permit value averaged $23 million from 1990 to 2003 in constant 2002 dollars, reaching $53 million in 2003.

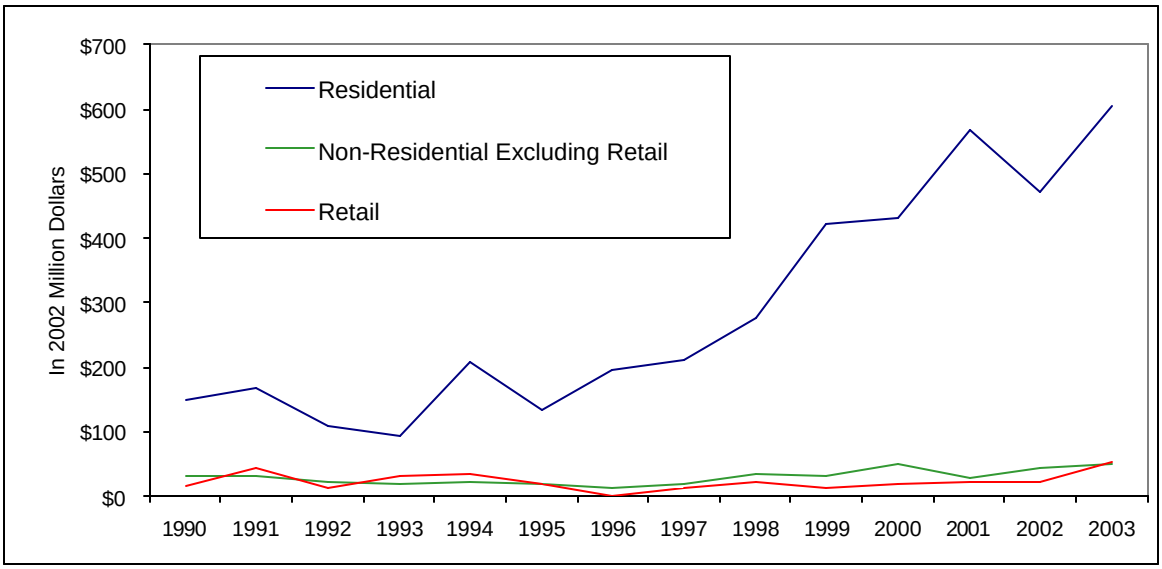
Exhibit II-3 Countywide Development Permit Value



Source: San Diego Regional Chamber of Commerce

Regionally, residential development is by far the dominant land use in terms of aggregate value among the classes of new development. A strategy to transform the Urban Core sooner rather than later should fundamentally be based on opportunities for new residential development.

Exhibit II-4 Chula Vista Development Permit Value



Source: San Diego Regional Chamber of Commerce

Employment Trends

San Diego County

According to SANDAG, the San Diego Region is expected to increase its workforce from 1.38 million to 1.82 million between 2000 and 2030, for a compounded annual growth rate (CAGR) of 0.9 percent. Employment growth projections for the San Diego Region are evenly distributed throughout the 30-year term; it is estimated, on average, that 146,000 jobs will be added to the local economy every ten years. Table II-1 shows forecasted employment growth by industry for San Diego County between 2000 and 2030.

The Financial, Insurance and Real Estate (FIRE) sector is projected to grow by 54 percent during the 30-year period, adding 37,715 new jobs, while the Services sector is forecasted to grow by 50 percent, adding 201,295 jobs to the regional economy. These sectors are particularly important for the private office market. Retail trade, another important sector for downtown development, is expected to add almost 67,000 new jobs.

Table II-1 San Diego County Employment Growth by Industry 2000-2030

	2000	2010	% Change	2020	% Change	2030	% Change
Agriculture	11,800	10,648	-9.76%	9,897	-7.05%	9,782	-1.16%
Construction	70,000	78,655	12.36%	79,396	0.94%	78,621	-0.98%
Finance, Insurance & Real Estate	69,501	81,759	17.64%	95,641	16.98%	107,216	12.10%
Government	206,600	240,239	16.28%	257,928	7.36%	273,174	5.91%
Manufacturing	129,200	116,562	-9.78%	116,822	0.22%	118,494	1.43%
Military	90,093	90,093	0.00%	90,093	0.00%	90,093	0.00%
Retail trade	217,100	239,456	10.30%	260,113	8.63%	283,899	9.14%
Self employment, domestic workers	89,380	98,305	9.99%	108,281	10.15%	118,673	9.60%
Services	399,202	461,117	15.51%	529,159	14.76%	600,497	13.48%
Transportation, Comm. & P.Utilities	50,800	55,880	10.00%	60,683	8.60%	69,128	13.92%
Wholesale trade	51,000	55,808	9.43%	64,870	16.24%	74,453	14.77%
Total	1,384,676	1,528,522	**10.39%**	1,672,883	**9.44%**	1,824,030	**9.04%**

Source: SANDAG and Economics Research Associates

South Suburban Market Area

Employment growth in the South Suburban Major Statistical Area (MSA), where western Chula Vista and the Urban Core are located, is expected to increase from 85,900 to 167,300 between 2000 and 2030, adding more than 81,000 jobs for a compounded annual growth rate (CAGR) of 2.2 percent, well above the regional average. Table II-2 shows employment growth by industry for the South Suburban Major Statistical Area in San Diego County between 2000 and 2030.

In the South Suburban Area, the FIRE sector is projected to increase by 204 percent during the 30-year period, adding 6,900 new jobs, while the Services sector is forecasted to grow by 242 percent, adding 35,689 new jobs to the South Bay economy.

Table II-3 shows the South Suburban MSA's projected share of San Diego County's net growth in employment between 2000 and 2030 for FIRE, Government, Retail Trade, Government, and Services sectors, important sectors for the Urban Core. As shown, South Suburban MSA's share of regional growth for all categories is projected to increase each subsequent decade. According to SANDAG's estimates, the South Suburban Area may increase its share of total employment in San Diego County from 6.2 percent in 2000 to 9.2 percent by 2030.

Table II-2 South Suburban Employment Growth by Industry 2000-2030

	2000	2010	% Change	2020	% Change	2030	% Change
Agriculture	251	253	0.8%	257	1.6%	258	0.4%
Construction	1,905	2,153	13.0%	2,174	1.0%	2,491	14.6%
Finance, Insurance & Real Estate	3,369	4,515	34.0%	7,391	63.7%	10,269	38.9%
Government	19,312	23,251	20.4%	26,426	13.7%	29,338	11.0%
Manufacturing	9,998	9,046	-9.5%	9,080	0.4%	9,355	3.0%
Military	200	200	0.00%	200	0.00%	200	0.0%
Retail trade	17,927	20,446	14.1%	23,839	16.6%	28,370	19.0%
Self employment, domestic workers	10,660	12,463	16.9%	14,989	20.3%	17,410	16.2%
Services	14,737	20,929	42.0%	33,661	60.8%	50,426	49.8%
Transportation, Comm. & P.Utilities	3,433	4,612	34.3%	5,972	29.5%	8,790	47.2
Wholesale trade	4,112	5,272	28.2%	7,587	43.9%	10,346	36.4%
Total	85,904	103,140	**20.1%**	131,576	**27.6%**	167,253	**27.1%**

Source: SANDAG; and Economics Research Associates

Table II-3 South Suburban Net Growth Employment Share of San Diego County between 2000 and 2030 for FIRE, Government, Retail Trade and Services Sectors

	2000-2010	2010-2020	2020-2030
Finance, Insurance & Real Estate	9.3%	20.7%	24.9%
Government	11.7%	17.9%	19.1%
Retail trade	11.3%	16.4%	19.0%
Services	10.0%	18.7%	23.5%

Source: SANDAG and Economics Research Associates

Chula Vista

In the case of Chula Vista, SANDAG forecasts that jobs will increase from 53,700 to 79,400 between 2000 and 2030, for a CAGR of 1.3 percent, which is less than the South Suburban growth rate, but still above the countywide average growth rate. SANDAG is forecasting that a higher proportion of South Bay job growth will occur elsewhere, such as Otay Mesa. The City of Chula Vista is expected to receive 6,074 new jobs between 2000 and 2010, 9,086 between 2010 and 2020, and 10,551 between 2020 and 2030. Table II-4 shows SANDAG's forecasted employment growth by industry for the City of Chula Vista between 2000 and 2030.

The FIRE sector in Chula Vista is projected to increase by 107 percent, adding 2,451 jobs between 2000 and 2030, while the Services sector is forecasted to grow 88 percent, adding 10,314 jobs to the city's employment base during the 30-year period.

These forecasts are based on existing land use policy. If land-use policy changes to allow for more or less employment, the forecasted share of regional employment growth occurring in Chula Vista may also change.

Table II-4 Chula Vista Employment Growth by Industry 2000-2030

	2000	2010	% Change	2020	% Change	2030	% Change
Agriculture	165	165	0.0%	165	0.0%	165	0.0%
Construction	1,378	1,558	13.1%	1,567	0.6%	1,672	6.7%
Finance, Insurance & Real Estate	2,290	2,777	21.3%	3,819	37.5%	4,741	24.1%
Government	8,814	10,788	22.4%	11,707	8.5%	12,644	8.00%
Manufacturing	6,051	5,357	-11.5%	5,363	0.1%	5,477	2.1%
Military	0	0		0		0	
Retail trade	11,794	12,500	6.0%	13,530	8.2%	15,142	11.9%
Self employment, domestic workers	7,633	8,734	14.4%	10,102	15.7%	11,191	10.8%
Services	11,727	13,533	15.4%	17,419	28.7%	22,041	26.5%
Transportation, Comm. & P.Utilities	1,810	2,055	13.5%	2,366	15.1%	2,914	23.2%
Wholesale trade	2,069	2,338	13.0%	2,853	22.0%	3,455	21.1%
Total	53,731	59,805	**11.3%**	68,891	**15.2%**	79,442	**15.3%**

Source: SANDAG and Economics Research Associates

Table II-5 shows Chula Vista's forecasted share of South Suburban MSA's net employment growth between 2000 and 2030 for FIRE, Government, Retail Trade and Services sectors. As shown in the table, Chula Vista's share of FIRE category net growth is forecasted to decrease from 42.5 percent between 2000 and 2010 to 32.0 percent between 2020 and 2030, while its share of Government's net growth is forecasted to decrease from 50.1 percent to 32.2 percent during the same timeframe. Chula Vista's share for Retail Trade's net growth is forecasted to increase from 28.0 percent to 35.6 percent and decrease slightly in the services sector.

The South Suburban MSA is forecasted to add over 81,300 new jobs between 2000 and 2030. During the same timeframe, the City of Chula Vista is projected to add over 25,700 new jobs. According to SANDAG's forecasts, the City of Chula Vista is forecasted to capture 31.6 percent of the total employment growth in the South Suburban Area during the 30-year period.

Table II-5 Chula Vista Net Growth Employment Share of South Suburban between 2000 and 2030 for FIRE, Government, Retail Trade and Services Sectors

	2000-2010	2010-2020	2020-2030
Finance, Insurance & Real Estate	42.5%	36.2%	32.0%
Government	50.1%	28.9%	32.2%
Retail trade	28.0%	30.4%	35.6%
Services	29.2%	30.5%	27.6%

Source: SANDAG and Economics Research Associates

Even though the City of Chula Vista is projected to add more than 25,700 new jobs between 2000 and 2030, its share of the total employment growth within the South Suburban Area is expected to decrease from 62.5 percent in 2000 to 47.5 percent by 2030. Chula Vista's declining shares are expected because of growth in other areas in the South Suburban MSA, particularly Otay Mesa, which would decrease Chula Vista's existing shares. Again, if land use policies change in Chula Vista to allow more or less growth, the city's projected share of South Suburban growth may also change.

SRA-21 (Western Chula Vista)

The Urban Core comprises approximately 20-25 percent of SANDAG's Sub-Regional Area 21 (SRA-21) land, the smallest geographic area for which SANDAG reports employment by sector. SRA-21 generally comprises western Chula Vista. SANDAG forecasts that jobs in SRA-21 will increase from 36,800 to 44,800 between 2000 and 2030, adding almost 8,000 new jobs to the local economy for a 0.7 percent compounded annual growth rate (CAGR). The CAGR for SRA-21 is significantly lower than the 1.3 percent CAGR forecasted for the City of Chula Vista, which in turn is lower than the 2.2 percent CAGR for the South Suburban Area, and reflects that SRA-21 is closer to build-out under existing General Plan policies. Again, changes in land use policy would influence these projections.

SRA-21 is forecasted to capture 31 percent of the total employment growth in the City of Chula Vista during the 30-year period. Table II-6 shows employment growth by industry for SRA-21 between 2000 and 2030.

Within SRA-21, the FIRE industry sector is projected to increase 36.0 percent during the 30-year period, adding 518 jobs, while the Services sector is forecasted to grow by 37.9 percent, adding 3,067 jobs. The Retail Trade sector is projected to increase 19.8 percent, adding 1,682 jobs.

Table II-6 SRA-21 Employment Growth by Industry 2000-2030

	2000	2010	% Change	2020	% Change	2030	% Change
Agriculture	160	160	0.0%	160	0.0%	160	0.0%
Construction	959	1,042	8.7%	1,046	0.4%	1,124	7.5%
Finance, Insurance & Real Estate	1,436	1,595	11.1%	1,685	5.6%	1,954	16.0%
Government	6,312	7,503	18.9%	7,729	3.0%	8,329	7.8%
Manufacturing	5,042	4,418	-12.4%	4,421	0.1%	4,519	2.2%
Military	0	0		0		0	
Retail trade	8,487	8,858	4.4%	9,158	3.4%	10,169	11.0%
Self employment, domestic workers	3,569	3,678	3.1%	3,789	3.0%	4,162	9.8%
Services	8,092	8,888	9.8%	9,332	5.0%	11,159	19.6%
Transportation, Comm. & P.Utilities	1,059	1,065	0.6%	1,084	1.8%	1,257	16.0%
Wholesale trade	1,673	1,678	0.3%	1,731	3.2%	1,944	12.3%
Total	36,789	38,885	**5.7%**	40,135	**3.2%**	44,777	**11.6%**

Source: SANDAG and Economics Research Associates

Table II-7 shows SRA-21's share of Chula Vista's net growth between 2000 and 2030 for FIRE, Government, Retail Trade and Services sectors. SRA-21's is projected to account for 32.6 percent of Chula Vista's FIRE net growth between 2000 and 2010, decrease to 8.6 percent between 2010 and 2020, and increase to 29.2 percent between 2020 and 2030. SRA-21's share of Chula Vista's Government net growth share follows a similar pattern, accounting for 60.3 percent of total forecasted Chula Vista net growth between 2000 and 2010, decreasing to 24.6 percent between 2010 and 2020, and increasing again to 64.0 percent between 2020 and 2030. Retail trade and Services follow similar patterns as well.

Presumably, this fluctuation in market share that SANDAG is forecasting anticipates that western Chula Vista will capture a large share this decade, but will lose market share to eastern Chula Vista, particularly the Eastern Urban Center, during the next decade, and regain some market share the following decade as the EUC approaches build-out.

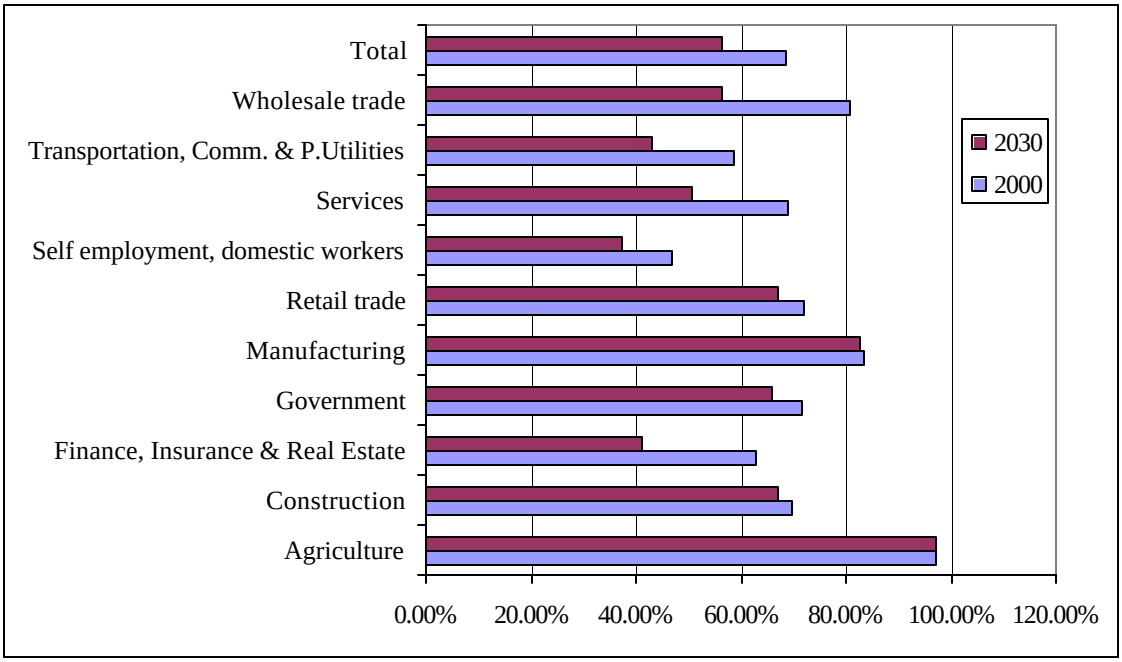
SRA-21's share of total employment in Chula Vista is expected to decrease from 68.4 percent in 2000 to 56.3 percent by 2030, attributable to the development of new employment centers within the City of Chula Vista (particularly in eastern Chula Vista). Exhibit II-5 shows SRA-21's projected share of citywide employment by industry sector from 2000 and 2030.

Table II-7 SRA-21 Job Growth As a Share of Chula Vista's Job Growth between 2000 and 2030 for FIRE, Government, Retail Trade and Services Sectors

	2000-2010	2010-2020	2020-2030
Finance, Insurance & Real Estate	32.6%	8.6%	29.2%
Government	60.3%	24.6%	64.0%
Retail trade	52.5%	29.1%	62.7%
Services	44.1%	11.4%	39.5%

Source: SANDAG and Economics Research Associates

Exhibit II-5 SRA-21 Share of Chula Vista Employment by Industry Sector for 2000 and 2030



Source: SANDAG; and Economics Research Associates

Implications for the Urban Core

Redevelopment, infill development, and revitalization of existing development will take place within a growing and dynamic market, though increasingly less affordable. The region's diversified economy provides stability, while projected shifts in regional growth patterns towards South County will generate new opportunities for the Urban Core if it is priced competitively. The Urban Core's location between two growing economic hubs –Downtown San Diego and

Tijuana -- is well positioned within coastal South County for capturing a significant share of regional growth.

While Chula Vista has been growing along with the region, western Chula Vista's share of the city's job and retail growth has been declining. Existing SANDAG forecasts indicate that western Chula Vista, which includes the Urban Core, may continue to see a declining share of sub-regional growth as new development continues in eastern Chula Vista and elsewhere in South County, though western Chula Vista's share of total jobs (new and existing) will still remain significant. Some of the projected declining share of future job growth reflects existing land use policies and the build-out nature of western Chula Vista, compared to other, newer areas of South County. Policies in the Urban Core and elsewhere in western Chula Vista, such as the Bayfront, that expand development capacity could change these assumptions, particularly if the development and the community characteristics are of a competitive quality.

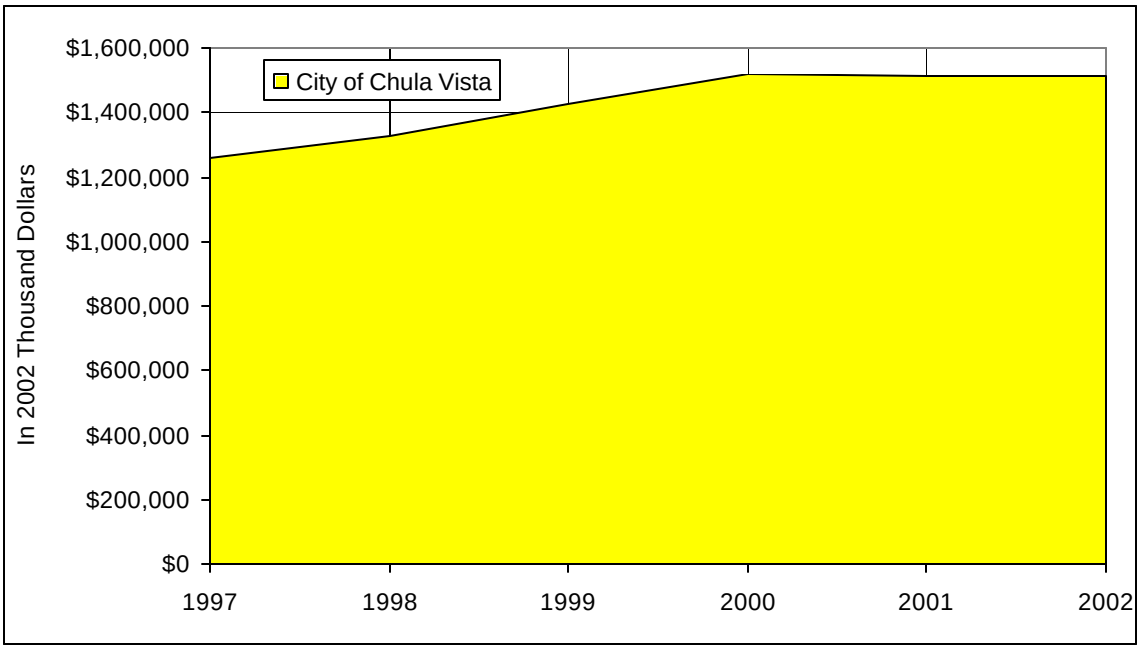
Retail Trends

Retail Sales

Taxable retail sales in the City of Chula Vista has grown in real terms adjusted for inflation from 1997 to 2002. As shown in Exhibit II-6, City of Chula Vista taxable retail sales (in 2002 constant dollars) increased from $1.3 billion in 1997 to $1.5 billion in 2000, for a 6.4 percent average compounded annual growth rate. Taxable retail sales in Chula Vista slightly decreased in 2001 and 2002. Between 1997 and 2002, the average compounded annual growth rate of taxable retail sales was 3.7 percent.

Chula Vista's taxable retail sales per capita in 2002 was $7,913, 18.5 percent lower than the countywide average of $9,378. This may be attributable to the time delay associated with developing new commercial development to serve the growing population in eastern Chula Vista. Chula Vista's relatively lower penetration of the regional tourism market may also be a factor, though this is countered by Chula Vista's higher than average share of sales to the Mexican market.

Exhibit II-6 City of Chula Vista Taxable Retail Sales Trends



Source: State Board of Equalization

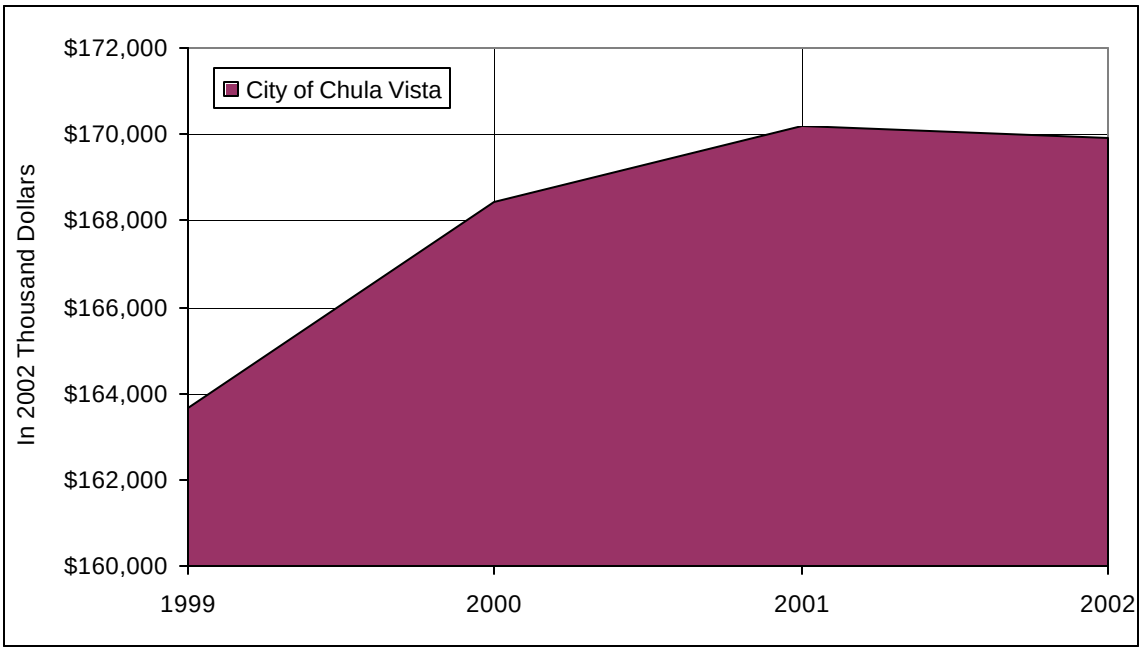
Restaurants are potentially an important part of the Urban Core's future retail offerings, especially if the Urban Core is to become a regional destination for eastern Chula Vista and other South County residents. In 2002, eating and drinking places represented 11.2 percent of all taxable retail sales in the City of Chula Vista, lower than the 12.8 percent they represent in San Diego County, and the 12.6 percent they represent in the State of California. Exhibit II-7 shows taxable sales for eating and drinking places in 2002 dollars for the City of Chula Vista.

The Urban Core Retail Sales

Table II-8 shows taxable sales by category in the Urban Core for 1995, 2000 and 2003 and CAGR. The Urban Core includes commercial corridors along E Street, H Street, Broadway Avenue and 3rd Avenue.

Table II-9 shows taxable sales by category in the Urban Core as a percentage of Chula Vista for 1995 and 2000. The categories that showed an increasing share of citywide sales were apparel and food stores. The Urban Core's share of all other categories decreased between 1995 and 2000.

Exhibit II-7 City of Chula Vista Eating and Drinking Taxable Retail Sales Trends



Source: State Board of Equalization

Table II-8 1995 and 2000 Urban Core Taxable Sales

	1995	2000	CAGR (1995-2000)	2003	CAGR (2000-2003)
Apparel Stores	28,529,500	44,729,800	9%	47,028,300	2%
General Merchandise Stores	86,778,000	146,005,800	11%	150,855,200	1%
Food Stores	26,154,700	34,415,100	6%	37,706,800	3%
Eating & Drinking Places	48,673,800	55,208,500	3%	68,240,900	7%
Building Materials & Farm Implements	7,023,900	5,376,200	-5%	6,323,400	6%
Auto Dealers & Auto Supplies	21,978,400	32,606,000	8%	38,179,300	5%
Service Stations	32,509,200	33,191,000	0%	35,184,700	2%
Other Retail Stores	41,069,900	67,158,100	10%	84,827,900	8%
All Other Categories	29,067,400	33,191,000	3%	35,116,400	2%
Total	**321,784,800**	**451,881,500**		**503,462,900**	

Source: City of Chula Vista and ERA

Table II-9 1995 and 2000 Urban Core Percentage of Citywide Taxable Sales

	1995	2000
Apparel Stores	51.9%	67.2%
General Merchandise Stores	33.4%	29.5%
Food Stores	37.2%	38.0%
Eating & Drinking Places	41.2%	35.5%
Building Materials & Farm Implements	12.0%	5.3%
Auto Dealers & Auto Supplies	25.5%	22.3%
Service Stations	32.7%	27.4%
Other Retail Stores	42.9%	42.7%
All Other Categories	21.4%	16.0%

Source: California Board of Equalization, City of Chula Vista and ERA

Retail Space

In 2003, retail sales in the county supported 48.1 million square feet of retail space (in buildings 50,000 square feet or greater), compared to 35.3 million in 1993, for an average annual increase of 1.3 million square feet and an average compounded annual growth rate of 3.1 percent. According to CB Richard Ellis, vacancy rates for retail space are at the lowest levels in 10 years (2.7 percent at the end of 2003); in marked contrast to 1993 when vacancy rates stood at 8.7 percent. During 2003, the region absorbed 1.5 million square feet of new retail space.

In the 3rd quarter of 2003, the Chula Vista/Bonita retail market had 2.7 million square feet (in buildings 50,000 square feet or greater) and vacancy rates much lower than the county average, at 0.60 percent, reflecting an under-served local market. Of the 1.7 million square feet under construction in San Diego County during the 3rd quarter of 2003, the Chula Vista/Bonita retail market accounted for 380,000 square feet, or 22.4 percent.

Implications for the Urban Core

The Urban Core traditionally has been an important retail area for Chula Vista and South Bay residents, and consumers from Mexico. Retail development and revitalization will be an important component of the Urban Core's future. While the Urban Core's retail outlets will benefit from the growing consumer base in South Bay, the Urban Core's traditional commercial role will have to adjust to growing competition in South Bay, including eastern Chula Vista, the border communities (especially for Mexican trade), and downtown San Diego (for entertainment

and dining), by finding new niches and serving more focused geographic areas. The Urban Core's market share of regional sales will probably decline as new competition develops, but absolute sales and supportable space will expand as the market population, particularly in western Chula Vista, grows.

Visitor Market

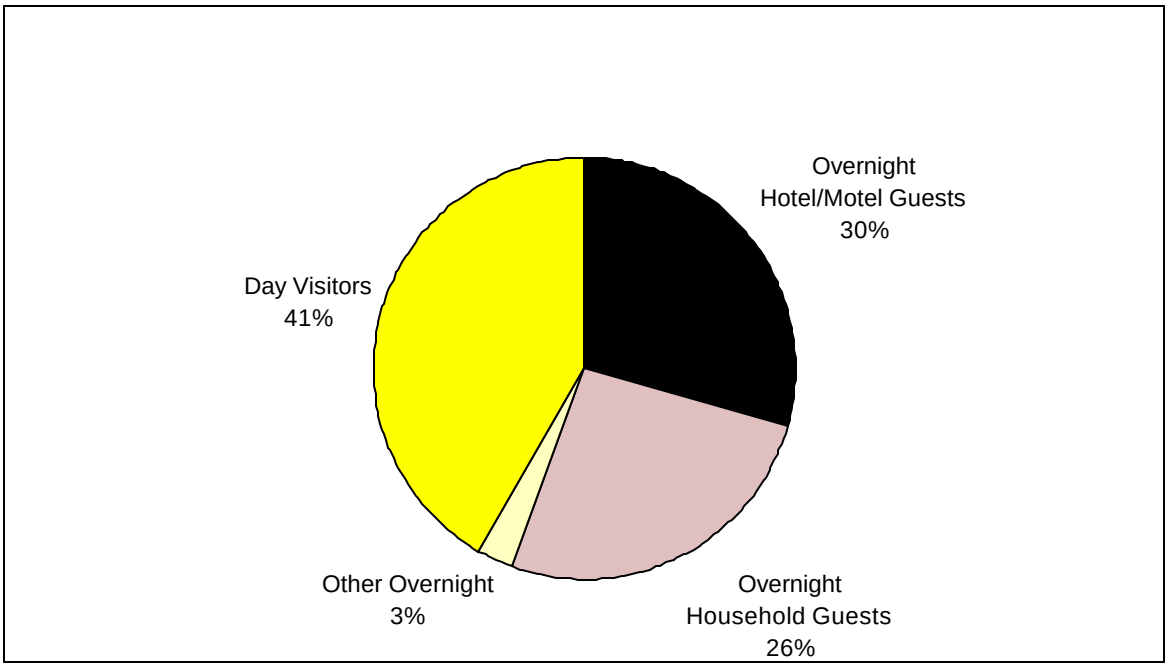
Visitor Characteristics

According to the San Diego Convention & Visitors Bureau, there were approximately 38 million total visitors to San Diego County in 2002. Total visitation declined 1.2 percent in 2002 compared to the prior year. Overnight visitation increased 1.6 percent, while day visitation decreased 4.7 percent.

Exhibit II-8 shows the visitor distribution for San Diego County in 2002. The exhibit shows that most visitors to San Diego were day visitors primarily from Southern California, (Mexican day-visitors are not counted as tourists and are discussed separately). Overnight visitors accounted for approximately 42 percent of all visitors. In 2002, there were 15.8 million overnight visitors to San Diego County. This figure increased from 14.7 million in 1997, for a 1.5 percent compounded annual growth rate.

While the Urban Core has visitor-serving uses, such as motels, and is along a major tourist travel corridor - the I-5 to Mexico, it currently is not very competitive in the regional tourism market. Its current minor niche is lodging for the budget traveler. Chula Vista's Bayfront is key for penetrating the region's visitor market, especially the traveler market to Mexico. The Urban Core's opportunity to improve its share of the visitor market would be enhanced with a strong link to the Bayfront. If the Urban Core were to attract visitors to the region on its own, it would have to develop a unique niche, probably centered on culture, music, and food, and as an affordable location with amenities for the business market. Still, the regional competition is great, and tourism will probably be a minor component of the Urban Core's economy.

Exhibit II-8 San Diego County Distribution of Total Visitors in 2002 (38 Million)



Source: San Diego County 2002 Overnight Visitor Profile Report
(San Diego Convention and Visitors Bureau and CIC Research)

The Mexican Market

The Mexican market from the Tijuana metro area is more an extension of the region's resident market than a tourist market. They are an important source of consumers for the region's retailers, particularly in South County. The city of Tijuana experienced dramatic growth during the 1990-2000 period, increasing its population by 62 percent. According to the 2000 census, 1.2 million[7] people lived in Tijuana, compared to 750,000 in 1990, for a 4.9 percent compounded annual growth rate. In addition, the state of Baja California increased its population by 49.8 percent, from 1.7 million to 2.5 million people during the same period for a 4.1 percent compounded annual growth rate. This trend is expected to continue, as Baja California has the second highest positive net migration among the states in Mexico.

During the second half of the 1990's, the Tijuana metro area grew economically due to the industrial growth associated with the Maquiladora program and NAFTA. However, this growth subsided due to the United States recession and increased competition and factory relocations to Asian countries. Job and economic growth has begun to rebound during the last year as the U.S. economy recovers.

[7] Instituto Nacional de Estadistica, Geografia e Informatica (INEGI)

Mexicans crossing the border for shopping account for a notable amount of total retail sales in different cities in San Diego County. San Diego Dialogue estimates that between 40-60 percent of all northbound border crossings are made for shopping. According to a survey of Chula Vista retailers conducted in the early 2000's by the Social, Behavorial, and Research Institute (SBRI) at California State University, San Marcos, in association with ERA, 25 percent of all business sales were to Mexican shoppers. San Diego Dialogue estimates that up to 65 percent of all retail sales in San Ysidro come from Mexican shoppers, while in Coronado, this figure is estimated at 10 percent. As the City of Tijuana continues to receive migration from central Mexico and the middle-class population increases, cities in south San Diego County will continue to experience significant sales volumes to Mexican nationals.

According to the United States Customs service, San Ysidro and Otay Mesa together had more than 9.7 million northbound pedestrian crossings in 2003, which represented 20.1 percent of all pedestrian crossings into the United States, increasing from 17.5 percent in 1997. San Ysidro and Otay Mesa increased its share of total northbound pedestrian crossings into California, from 43.7 percent in 1997 to 53.7 percent in 2003.

San Ysidro and Otay Mesa represented 25.3 percent of all private vehicle northbound crossings into the United States in 2003 and 68.3 percent of California, with 22.3 million crossings.

San Ysidro is the most traveled border crossing at either border; it alone comprised 13.8 percent of all border crossings in the United States. San Ysidro and Otay border crossings combined represent nearly one fifth of all U.S. border crossings, with 17.2 percent.

The majority of Mexicans crossing the border at San Ysidro and Otay are residents of the Tijuana metropolitan area, or approximately 92 percent. Many residents of Tijuana commute to work and do their shopping in the United States. The Universidad Autonoma de Baja California (UABC) conducted a survey in 2001 and estimated that people from Baja California spend at least $1.6 billion dollars every year in the San Diego region. The increase in average hourly crossings during weekends is directly associated to Mexicans crossing the border for shopping.

Since Mexicans are an important source of consumers in Chula Vista, the city is particularly vulnerable to the stability of the peso. When the peso was devalued in the early 1990s, taxable sales per capita in Chula Vista, in real terms adjusted for inflation, declined by more than 20 percent.

The Urban Core, with the Bayfront, does have the opportunity to leverage the Mexican market to expand the reasons Mexicans shop in Chula Vista, from staples, fashion, and services, to dining and entertainment, particularly for families. There are many links between residents in South Bay and Tijuana, such as business, family, and friends, and the Urban Core could position itself as one

of the primary areas within the border zone region where cross border business networking and personal gatherings can occur. The importance of the Mexican market to Chula Vista, however, should diminish somewhat, though remain significant, as the resident consumer base in the South Bay grows.

III. Demographic Context

The following section examines population growth and characteristics for the region, the City of Chula Vista, SRA-21 (western Chula Vista), and the Urban Core project area.

Population

SANDAG forecasts that San Diego County will grow from 2.8 million people in 2000 to almost than 3.9 million in 2030, adding 1.1 million people to the region, a 37 percent increase with a 1.1 percent compounded annual growth rate (CAGR). During the same period, SANDAG forecasts that the City of Chula Vista will grow from 173,000 to 278,000 people, increasing more than 105,000 people during the 30-year period, for a 60 percent increase and a 1.6 percent CAGR. Chula Vista is projected to receive approximately 10 percent of total population growth in San Diego County between 2000 and 2030. However, most of the growth in the City of Chula Vista is forecasted to occur east of Interstate Freeway I-805.

SANDAG's forecasts that population in SRA-21, western Chula Vista, will increase by 13 percent during this time period, from 108,000 to 123,000 people, for a net growth of 14,000, or a CAGR of 0.4 percent, well below citywide and countywide rates. SRA-21 is forecasted to house 13.5 percent of the net growth projected for the City of Chula Vista over the 30-year period. SANDAG's current forecasts assume a higher proportion of growth for Eastern Chula Vista and limited capacity for growth in the older SRA-21 neighborhoods, which limits population projections.

Urban Core Population

Since the Urban Core Study Area includes residents from ten different census tracts, ERA obtained the population of each census tract and applied percentages depending on the area of the census tract that formed part of the Urban Core to estimate population characteristics in the Urban Core[8].

SANDAG forecasts that population in the Urban Core Study Area may grow by 14.4 percent between 2000 and 2030, from 22,700 to 26,000, for a net growth of almost 3,300 people.

[8] The relevant census and their assumed proportions within the Urban Core are as follows: CT123.02 (100%), CT123.03 (20%), CT124.01 (30%), CT124.02 (100%), CT125 (25%), CT126 (20%), CT127 (100%), CT128 (20%), CT129 (20%) and CT 130 (100%).

Approximately 23 percent of the net growth in SRA-21 between 2000 and 2030 is forecasted to occur in the Urban Core.

Table III-1 shows population for San Diego County, Chula Vista, SRA-21 and the Project Area.

Table III-1 Population Growth Trends 2000-2030

Market Areas	2000	2003	2010	2020	2030	Numeric Change 2000-2030	Percent Change 2000-2030	Average Annual Growth Rate 2000-2030
Urban Core	22,709	23,177	23,543	25,138	25,975	3,266	14.4%	0.5%
SRA 21	108,907	109,789	113,140	119,048	123,053	14,146	13.0%	0.4%
Chula Vista	173,556	199,680	247,885	268,970	278,183	104,627	60.3%	1.6%
San Diego County	2,813,833	2,961,579	3,211,721	3,528,605	3,855,085	1,041,252	37.0%	1.1%

Source: SANDAG and Economics Research Associates

Age Distribution

As shown in Table III-2, by 2030 the proportion of the total population that are children and young adults in San Diego County, Chula Vista, SRA 21 and the Urban Core are expected to be less than in 2000. The age cohort between 35 and 54 is projected to remain approximately the same. In turn, the proportion of older-age cohorts is forecasted to increase significantly during this period. People between 55 and 74 years old are projected to increase from 13.4 percent to 22.8 percent of the total population in the Urban Core between 2000 and 2030. Similar increases are expected in SRA-21, the City of Chula Vista, and the county as a whole.

Table III-3 shows the age distribution for the Urban Core, SRA-21, Chula Vista and San Diego County in 2000 and 2030. SANDAG forecasts that the number of children and young adults in the Urban Core and SRA-21 will decline, and the number of middle-aged and senior adults will grow during the 30-year period, even though they are projected to grow in absolute numbers countywide. The number of people 55-years and older in the Urban Core and SRA-21 is projected to grow by over 4,000 and 18,700 people, respectively.

SANDAG's forecasts reflect the aging of the "baby-boom" generation, and the 140 percent increase in the number, and 70 percent increase in the percentage, of people 65 years and older by 2030. Since their projections are based on existing planning policy, they do not account for how a significant increase in urban housing may change the Urban Core's demographics and age distribution. The Urban Core's new urban housing development will help Chula Vista position itself to increase its share of the regional young adult market. Although new infill development in the Urban Core should appeal to young adults, who are often associated with urban housing, the young adult population is not expected to grow as rapidly regionally as the 55+ age groups. Secure urban housing also appeals to older populations due to their low maintenance, walkable street environments, and access to services. Consequently, the growing empty-nestor and senior market will also be important over the long-term.

Table III-2 Age Distribution Share in 2000 and 2030

	Urban Core		SRA-21		Chula Vista		SD County	
Age Groups (Years)	2000	2030	2000	2030	2000	2030	2000	2030
Total Pop	22,709	25,975	108,907	123,053	173,556	278,183	2,813,833	3,855,085
0-9	15.3%	11.2%	15.8%	11.0%	16.2%	11.6%	14.6%	11.7%
10-19	13.1%	10.9%	15.0%	12.0%	15.4%	12.6%	14.2%	12.1%
20-34	24.6%	19.7%	22.6%	18.3%	21.7%	17.3%	24.0%	20.7%
35-54	25.6%	24.1%	25.7%	25.1%	28.3%	28.7%	28.8%	25.2%
55-64	6.7%	11.1%	7.4%	12.7%	7.4%	12.8%	7.3%	11.1%
65-74	6.7%	11.7%	7.0%	11.6%	6.0%	9.8%	5.7%	10.2%
75+	8.0%	11.3%	6.5%	9.2%	5.0%	7.1%	5.5%	9.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: SANDAG and Economics Research Associates

Table III-3 2000 and 2030 Age Distribution

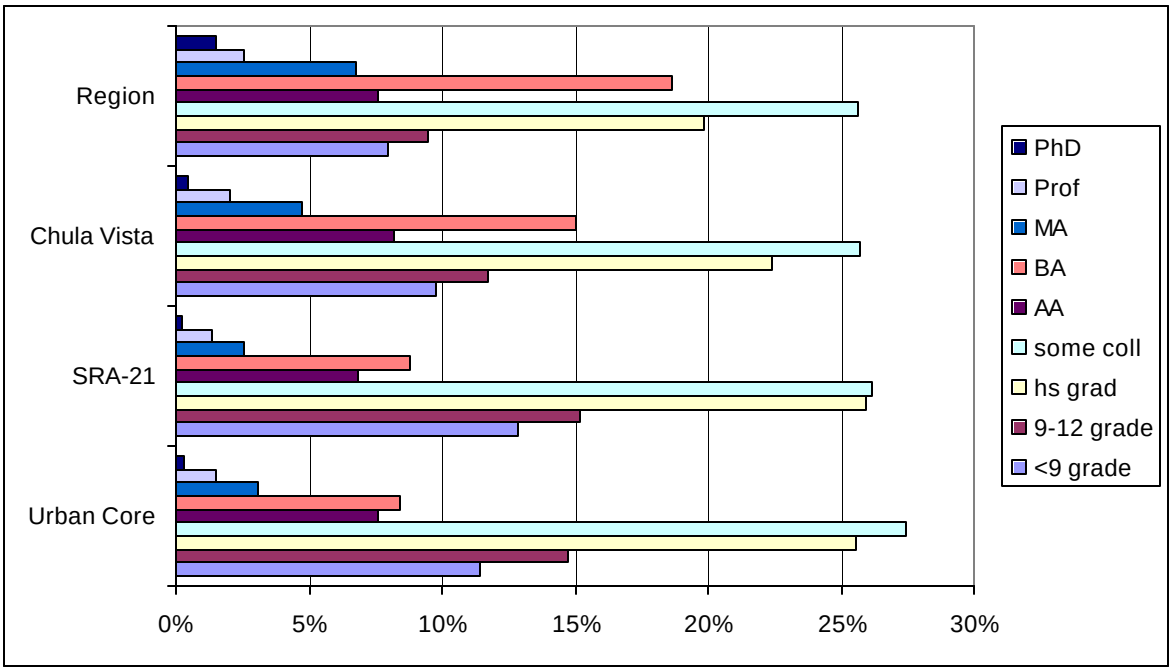
	Urban Core		SRA 21		Chula Vista		SD County	
Age Groups (Years)	2000	2030	2000	2030	2000	2030	2000	2030
0-9	3,479	2,916	17,235	13,539	28,063	32,384	411,450	451,210
10-19	2,986	2,833	16,383	14,790	26,683	35,035	399,588	467,415
20-34	5,595	5,110	24,579	22,502	37,720	48,130	674,313	796,297
35-54	5,804	6,265	28,016	30,854	49,040	79,788	810,066	971,914
55-64	1,526	2,889	8,078	15,670	12,921	35,710	204,666	427,320
65-74	1,512	3,036	7,583	14,331	10,442	27,286	160,059	394,142
75+	1,807	2,926	7,033	11,367	8,687	19,850	153,691	346,787
Total Pop	22,709	25,975	108,907	123,053	173,556	278,183	2,813,833	3,855,085

Source: SANDAG and Economics Research Associates

Education

In 2000, the population of the Urban Core and SRA-21 had less schooling than the population of Chula Vista as a whole and San Diego County, as shown in Exhibit III-1. In 2000, of the total adult population 25 years and over, 26 percent of the Urban Core and 28 percent of SRA-21 did not finish high school, compared to 22 percent for the City of Chula Vista and 17 percent for San Diego County. Likewise, only 8 percent of the population 25 years and over in the Urban Core had a bachelor's degree and 9 percent in SRA-21, compared to 15 percent in Chula Vista and 19 percent for San Diego County.

Exhibit III-1 San Diego County, Chula Vista and SRA-21 Education



Source: SANDAG; and Economics Research Associates

Households

SANDAG forecasts that the Urban Core may add 540 new households between 2000 and 2030, representing 24 percent of total new households in SRA-21 during this timeframe. SANDAG forecasts that SRA-21 will receive 8.2 percent of total new household formation in the City of Chula Vista between 2000 and 2030, adding almost 2,200 households, for a 0.2 percent CAGR. Household projections forecast most of the growth in eastern Chula Vista. Nevertheless, Chula Vista is projected to add over 26,800 new households or 8.8 percent of total household formation in San Diego County between 2000 and 2030, for a 1.3 percent CAGR. San Diego County is projected to add more than 300,000 new households during this time period, for a 0.9 percent CAGR. Therefore, while Chula Vista is projected to grow faster than the countywide average, SRA-21 and the Urban Core are not.

Table III-4 shows households for the Urban Core, SRA-21, Chula Vista and San Diego County for 2000, 2010, 2020 and 2030.

Table III-4 SRA 21, Chula Vista and San Diego County Growth Trends

Market Areas	2000	2010	2020	2030	Numeric Change 2000-2030	Percent Change 2000-2030	Average Annual Growth Rate 2000-2030
Urban Core	8,769	8,891	9,182	9,309	540	6.2%	0.2%
SRA-21	37,694	38,373	39,205	39,890	2,196	5.8%	0.2%
Chula Vista	57,705	78,779	82,843	84,519	26,814	46.5%	1.3%
Region	994,677	1,116,323	1,193,475	1,296,496	301,819	30.3%	0.9%

Source: SANDAG and Economics Research Associates

Household Income

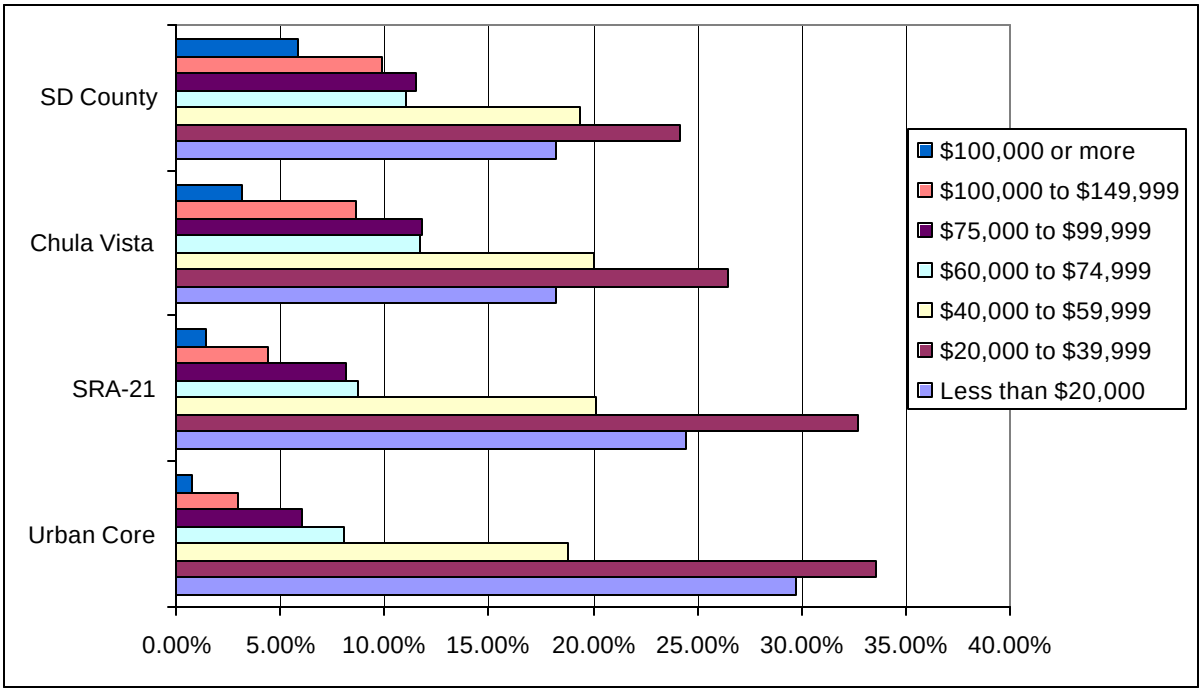
According to SANDAG, the Urban Core and SRA-21 had a disproportionate amount of low-income households compared to Chula Vista and the county as a whole in 2000. Households earning less than $20,000 represented 29.7 percent of all households in the Urban Core and 24.5 percent of households in SRA-21. In Chula Vista and San Diego County, only 18 percent of all households earned less than $20,000 per year. Households with average incomes between $20,000 and $39,999 represented 33.6 percent and 32.7 percent of all households in the Urban Core and SRA-21 respectively, compared to 26.4 percent in Chula Vista and 24.1 percent countywide.

All areas had approximately the same share of households with incomes between $40,000 and $59,999. Approximately 14.1 percent of households in the Urban Core and 16.8 percent of households in SRA-21 earned between $60,000 and $100,000, significantly lower than Chula Vista and San Diego County, with 23.5 and 22.6 respectively.

Households earning more than $100,000 represented only 3.8 percent of all households in the Urban Core and 5.8 percent of households in SRA-21. Comparatively, 11.8 percent and 15.7 percent of all households in the City of Chula Vista and San Diego County respectively earned more than $100,000 in 2000.

Exhibit III-2 shows the estimated annual household income distribution for the individual market areas in 2000.

Exhibit III-2 2000 Annual Household Income



Source: SANDAG and Economics Research Associates

ERA calculated a weighted average median household income of $31,797 for the Urban Core in 2000, $3,328 lower than the SRA-21 median household income of $35,125. SRA-21 median household income is $9,700 lower than Chula Vista's median household income of $44,834. In 2000, median household income for San Diego County stood at $47,268, $12,100 higher than the City of Chula Vista. Median household income citywide relative to the countywide average, however, is expected to improve as higher-income communities are developed in Chula Vista, particularly in eastern Chula Vista.

Racial and Ethnic Composition

Table III-5 shows race distribution for the Urban Core, SRA-21, Chula Vista and San Diego County for 2000 and 2030. Hispanics are noted separately, as it is an ethnic distinction that crosses races, rather than a racial distinction. Of the Non-Hispanic population, Whites occupy the highest percentage for all regions in 2000. By 2030, however, Whites are forecasted to decrease considerably as a percentage of the total population in all regions.

Table III-5 2000 and 2030 SRA-21, Chula Vista and San Diego County Race and Ethnicity

	Race and Ethnicity							
Year	2000	2000	2000	2000	2030	2030	2030	2030
Area	Urban Core	SRA-21	Chula Vista	SD County	Urban Core	SRA-21	Chula Vista	SD County
NH White	32.2%	30.0%	31.7%	55.0%	9.7%	9.2%	10.5%	39.7%
NH Black	5.0%	4.3%	4.3%	5.5%	5.8%	5.0%	5.8%	5.1%
NH Am Indian	0.4%	0.4%	0.3%	0.5%	0.2%	0.3%	0.5%	0.5%
NH Asian	4.9%	5.0%	10.6%	8.7%	5.1%	5.2%	13.8%	9.5%
NH Hawaiian	0.4%	0.5%	0.5%	0.4%	1.5%	1.6%	2.6%	2.1%
NH other	0.2%	0.2%	0.2%	0.2%	1.6%	1.3%	2.6%	2.3%
NH 2+ races	2.8%	2.5%	2.7%	2.9%	3.3%	3.2%	4.3%	3.9%
Subtotal	45.9%	42.9%	50.4%	73.3%	27.3%	25.7%	40.1%	63.1%
Hispanic Origin	54.1%	57.1%	49.6%	26.7%	72.7%	74.3%	59.9%	36.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: SANDAG and Economics Research Associates

Hispanics are projected to increase as a percentage of total population in all regions between 2000 and 2030. In the Urban Core, the Hispanic population is forecasted to increase from 54 percent of the total population in 2000 to 73 percent in 2030; in SRA-21, Hispanics are projected to increase from 57.0 percent to 74.0 percent of total population during the 30-year period.

Implications for the Urban Core

SANDAG forecasts relatively lesser population and household growth, a largely aging, largely Hispanic and multicultural population, with relatively lower incomes and education levels in western Chula Vista and the Urban Core compared to countywide averages. These characteristics have implications for housing affordability and consumer buying power and preferences.

These forecasts, however, reflect existing trends and capacities associated with current General Plan land use policies. Since SANDAG forecasts significant growth in South Bay that will change South Bay's demographic characteristics, the opportunity exists for the Urban Core to reinvent itself by changing land use policy to accommodate a greater share of South Bay and countywide growth, and modify its projected demographic characteristics in the process.

For example, SANDAG forecasts continued high shares of lower income households and a declining young adult population, even though incomes are projected to rise regionally and the

young adult population is projected to grow in number regionally, though declining proportionately. New development in the Urban Core can help diversify its household income profile and increase the Urban Core's share of the growing regional young adult population, which will present new opportunities for retail services.

While this opportunity exists to diversify the Urban Core's demographic trends, it should be recognized that most of the Urban Core's and western Chula Vista's demographic characteristics is already in place, associated with existing housing, and that these characteristics will continue to have influence even as the Urban Core diversifies with new development.

Many of the demographic trends are regional. The average age of population is rising, as the baby-boom generation ages, and housing and districts that appeal to an aging population will be important. Environments that appeal to a multi-cultural population will be important. Housing that is affordable will be important.

IV. Real Estate Market Overview

This section presents real estate market trends for office, retail, and residential uses in Chula Vista and the Urban Core project area.

Retail Market

The retail sector in San Diego County has remained strong over the past few years. According to CB Richard Ellis, vacancy rates throughout the county in the 4th Quarter 2003 stood at 2.7 percent, compared to the national average of 6.8 percent. From the 4th quarter 2002 to the 4th quarter 2004, the countywide average vacancy rate averaged 3.2 percent. The vacancy rate has been declining steadily since the early 1990's when the rate peaked at 9 percent.

It is estimated that 1.5 million square feet of new retail space was absorbed in 2003, a notable increase from 2002 when 1.1 million square feet were absorbed.

According to CB Richard Ellis, there are 2.7 million square feet of retail space in the Chula Vista/Bonita sub-market, representing 5.7 percent of the 48.1 million leasable retail space in the region (including San Diego County and Temecula/Murrieta) that CB Richard Ellis inventories (50,000 square feet or greater). Approximately 380,000 square feet was under-construction in the Chula Vista/Bonita sub-market, or approximately 44.3 percent of the 858,000 square feet under construction in San Diego County, as of the 4th Quarter, 2003. The Chula Vista/Bonita retail market maintains a very low vacancy rate, 0.6 percent, at lower-than average rents. The average retail lease rate of $1.65 in the 4th Quarter 2003 was 91 percent of the countywide average of $1.82.

The CoStar Group reports 80.1 million square feet of total retail space countywide in March 2004, plus 538,000 square feet under-construction, including owner occupied and smaller retail space, of which 2.8 million square feet, or 3.6 percent, is vacant and available.

The Urban Core Retail Market

Retail space in the Urban Core is mostly concentrated in four distinct business corridors, namely H Street, Broadway Avenue, 3rd Avenue and E Street. F Street also has retail space at the intersection with Third Avenue. All four retail corridors attract shoppers from the local market, South County, and Mexico, though some are more regional serving while others are more local

serving. H Street includes the frontage for Chula Vista Center, an 870,000 square foot older regional shopping center owned by General Growth that is undergoing renovation. Third Avenue is Chula Vista's historic downtown "Main Street." Broadway is a community and regional serving strip-retail corridor that serves western South County.

Retail Rents

Most of the retail space in these corridors is small to medium size, with the exception of the Chula Vista Shopping Center, located on H Street. Average asking triple-net (NNN) rents per square foot in the Urban Core vary depending on the business corridor, as follows:

- According to Grubb and Ellis, asking triple-net (NNN) rents in the L Street Corridor range between $1.30 and $1.40 per square foot, with some exceptions where rents range between $2.00 and $2.50 per square foot.

- Asking NNN rents at the intersection of Broadway and H range between $2.25 and $2.60 per square foot, with vacancy rates around 5 and 7 percent.

- According to Voit Commercial, along Broadway Avenue, rates vary between $1.50 and $2.00 per square foot NNN, while rents along 3rd Avenue range between $1.00 and $1.25 per square foot, with occupancy rates at nearly 100 percent.

Some projects are reportedly obtaining higher lease rates, such as the Gateway project at the corner of 3rd Avenue and H Street. According to Jim Pieri at Mountain West Real Estate, the phase I Gateway project is completely leased, with rates ranging between $2.75 and $3.00 NNN per square foot per month.

For comparison, these rates, including the new Gateway project fall below asking rates at the Eastlake Village Center in eastern Chula Vista, with asking rents at $3.50 per square foot NNN.

Retail Building Sales

Sales of retail buildings in the City of Chula Vista and the Urban Core have appreciated in recent years, as shown in Table IV-1. The Urban Core significantly increased its sales price per square foot in 2001 compared to 2000. Nevertheless, it remained below the average Price/SF for the City of Chula Vista in 2001 and 2002. In 2003, the study area surpassed the City by almost $9 per SF, and 16 of the 21 sales in the city occurred in the Urban Core.

Table IV-1 Chula Vista and Urban Core Retail Space Sales Price/SF and Sales/Year

	Chula Vista		Urban Core	
Year	Price/SF	Sales/Yr.	Price/SF	Sales/Yr.
2000	$135.03	15	$82.54	5
2001	$121.28	20	$119.42	11
2002	$137.60	18	$132.39	8
2003	$172.89	21	$181.48	16
Mar-04	$202.55	4	$188.33	2

Source: Costar and Economics Research Associates

Office Market

According to CB Richard Ellis, in the 4th quarter of 2003 there were 48.6 million square feet of leasable office space in San Diego County, out of which more than 952,000 were located in South San Diego (which includes Chula Vista), accounting for approximately 2 percent of total office leasable space in the region. The South San Diego office sub-market is defined as space located south of Freeway 94 and east of Freeway 5. The square footage mentioned includes buildings with 10,000 square feet or more and does not include owner occupied buildings.

In the 4th quarter of 2003, office space vacancy rates stood at 11.5 percent for San Diego County and 10.0 percent for South San Diego. San Diego County recorded average lease rates of $1.80 per square foot, while rates for South San Diego stood at $1.12. Of the more than 600,000 square feet under construction in the region, approximately 67,000, or 10.5 percent, were being built in the South San Diego sub-market.

According to the CoStar Group, the region had 82.1 million square feet of total office space, including owner-occupied buildings (except government), medical buildings (except hospitals), and smaller buildings, or 69 percent greater than CB Richard Ellis' count of leasable office space greater than 10,000 square feet. CoStar Group estimates that 11.4 million square feet of this inventory, or 13.9 percent, is vacant including sublet space that is available.

The Urban Core Office Market

Most of the office space within the Chula Vista Urban Core is comprised of professional services offices and medical services. The services include medical and dental clinics, insurance, tax preparation and travel agencies. Office space in the study area is mostly located in small one or two story buildings, although new multiple story buildings have been built in the past few years, such as the Chula Vista Gateway, with its first phase built in 2001 and the second phase currently in construction.

Once completed, the Chula Vista Gateway project will add a total of 285,000 square feet of office space and 62,000 square feet of retail space to the Urban Core. This project, which is the first major office development in downtown for more than 20 years, is an important indicator for demonstrating demand for Class A space in the Urban Core. However, as the first new office development in decades, its relatively rapid absorption and high achievable rents may also reflect pent-up demand rather than stable, sustainable demand. Additional office developments are needed to test the depth of demand over time.

Office Rents

Asking rents for other office space in the Urban Core ranges between $1.65 and $1.85 per square foot triple net, well below asking rents for office space at the Eastlake Business Center for example, where rents go for $2.25 per square foot plus janitorial and electric. Lease rates for office space in the Gateway project range between $2.5 and $2.75 per square foot per month, well above the countywide average and the Eastlake Business Center.

Office Building Sales

The average sales price per square foot for office space in Chula Vista has fluctuated since 2000, with the highest value recorded in 2001. Price per square foot for sales transactions in the Urban Core has been higher than the City of Chula Vista for the last three years, although they have also been inconsistent, as shown in Table IV-2.

Table IV-2 Chula Vista and Urban Core Office Space Sales Price/SF and Sales/Year

	Chula Vista		Urban Core	
Year	Price/SF	Sales/Yr.	Price/SF	Sales/Yr.
2000	$138.18	10	$110.57	4
2001	$145.03	8	$149.31	7
2002	$140.45	11	$163.64	6
2003	$130.22	5	$143.49	3

Source: Costar and Economics Research Associates

Residential Market

For Sale Housing

As with most of San Diego County, home prices in the City of Chula Vista have increased dramatically in recent years. According to DataQuick Information Systems, the median home price in San Diego County increased from $358,000 in April 2003 to $439,000 in April 2004, a 22.6 percent increase during the one-year period.

During the same time period, single-family home appreciation increased more than 26.0 percent in all Zip Codes in the City of Chula Vista. The median sale price for existing single-family homes in the 91910 Zip Code (where the Urban Core is located), increased from $365,000 in April 2003 to $480,000 in April 2004, for a 31.5 percent increase. Condominium sales in the 91910 Zip Code increased from $267,000 to $300,000 during the same time period, for an increase of 12.4 percent. Table IV-3 shows total sales and median homes sale values for existing single-family and condominium homes for all Zip Codes in Chula Vista for April 2003 and 2004.

The highest appreciation for existing single-family homes occurred in the newer areas of Chula Vista, in Zip Codes 91914 and 91915. Interestingly, appreciation for existing condominiums between April 2003 and 2004 was higher than 26 percent in all Zip Codes, except Zip Code 91910.

Table IV-4 shows total sales and median homes sale values for new single-family and condominium homes combined for all Zip Codes in Chula Vista for April 2003 and 2004. Zip Code 91910 had only one new home sale in April 2003 and none in 2004, compared to all other Zip Codes where new housing is still being developed.

Table IV-3 Chula Vista Existing Single Family and Condominium Home Sales for April 2003 and 2004

		Single Family Homes					Condominiums				
Place	**ZipCode**	**No. Sold**		**Median 03**	**Median 04**	**%Change**	**No. Sold**		**Median 03**	**Median 04**	**%Change**
Chula Vista N	91910	60	67	$ 365,000	$ 480,000	31.5%	29	40	$ 267,000	$ 300,000	12.4%
Chula Vista S	91911	54	58	$ 329,500	$ 417,500	26.7%	43	37	$ 216,500	$ 287,500	32.8%
CV-E.Lake-Otay Ranch	91913	43	63	$ 379,000	$ 510,000	34.6%	22	15	$ 269,500	$ 340,000	26.2%
Chula Vista NE	91914	13	13	$ 425,000	$ 600,000	41.2%	7	5	$ 305,000	$ 395,000	29.5%
Chula Vista SE	91915	25	39	$ 380,000	$ 567,500	49.3%	13	12	$ 302,000	$ 373,500	23.7%

Source: DataQuick Information Systems

Table IV-4 Chula Vista New Single Family and Condominium Home Sales for April 2003 and 2004

		New Single-Family/Condominiums			
Place	**ZipCode**	**No. Sold**	**Median 03**	**Median 04**	**%Change**
Chula Vista N	91910	1	n/a	$ 418,000	$ -
Chula Vista S	91911	50	22	$ 259,000	$ 358,250 38.3%
CV-E.Lake-Otay Ranch	91913	30	80	$ 471,250	$ 434,750 -7.7%
Chula Vista NE	91914	85	62	$ 455,000	$ 531,250 16.8%
Chula Vista SE	91915	12	52	$ 494,250	$ 583,000 18.0%

Source: DataQuick Information Systems

In June 2004, the median sales price of homes in Zip Code 91910, compared to the countywide average, was as follows:

	Re-Sale Single-family	Re-Sale Condominiums	New Single-Family/Condominiums
CV Zip Code 91910	$467,500	$350,000	$667,750
SD Countywide	$520,000	$365,000	$440,000
CV/SD County Median	90%	96%	152%

Rental Housing

According to Market-Pointe Realty, the average rent in San Diego County in September 2003 stood at $1,123 per month, while vacancy rates increased slightly to 2.06 percent, well below the vacancy level needed for a fluid and competitive market. The average monthly rental asking price in San Diego County was $1.31 per square foot.

In the case of the Urban Core Project Area, most of the rental housing was built more than 20 years ago and is reflected in the asking prices compared to the newer areas of Chula Vista. ERA found average rental rates in the Urban Core to be $0.99 per square foot, compared to $1.44 in the Otay Ranch areas. Average asking rents in the Urban Core were $930 per month. According to Market Pointe Realty, the vacancy rate in zip code 91910 stood at 2.4 percent, also below what is necessary for a competitive market. The vacancy rate was obtained with a sample of 80 projects and 4,132 units.

Table IV-5 shows asking rents for several apartment buildings in the Urban Core study area.

Table IV-5 June 2004 Asking Rents for Apartments located in the Chula Vista Urban Core

Project Name	Type	Rent per Month	SQFT	PR/SQFT/MNTH
Woodlawn Colonial	1 Br/1 Bth	$720	576	$1.25
	2 Br/2 Bth	$920	900	$1.02
Palm Shadows	1 Br/1 Bth	$725	560	$1.29
	2 Br/1 Bth	$895	800	$1.12
	2 Br/2 Bth	$995	890	$1.12
Alva Gardens	2 Br/2 Bth	$1,175	1900	$0.62
	2 Br/1.5 Bth	$1,150	1872	$0.61
Park Marina Apts	2 Br/2 Bth	$950	1250	$0.76
Meheli Palm Apts	1 Br/1 Bth	$675	800	$0.84
Center Towers	1 Br/1 Bth	$795	700	$1.14
	2 Br/1 Bth	$995	900	$1.11
	2 Br/2 Bth	$1,100	1100	$1.00
Sunnyfresh Apts.	2 Br/1 Bth	$1,000	950	$1.05
			Average	**$0.99**

Source: Economics Research Associates

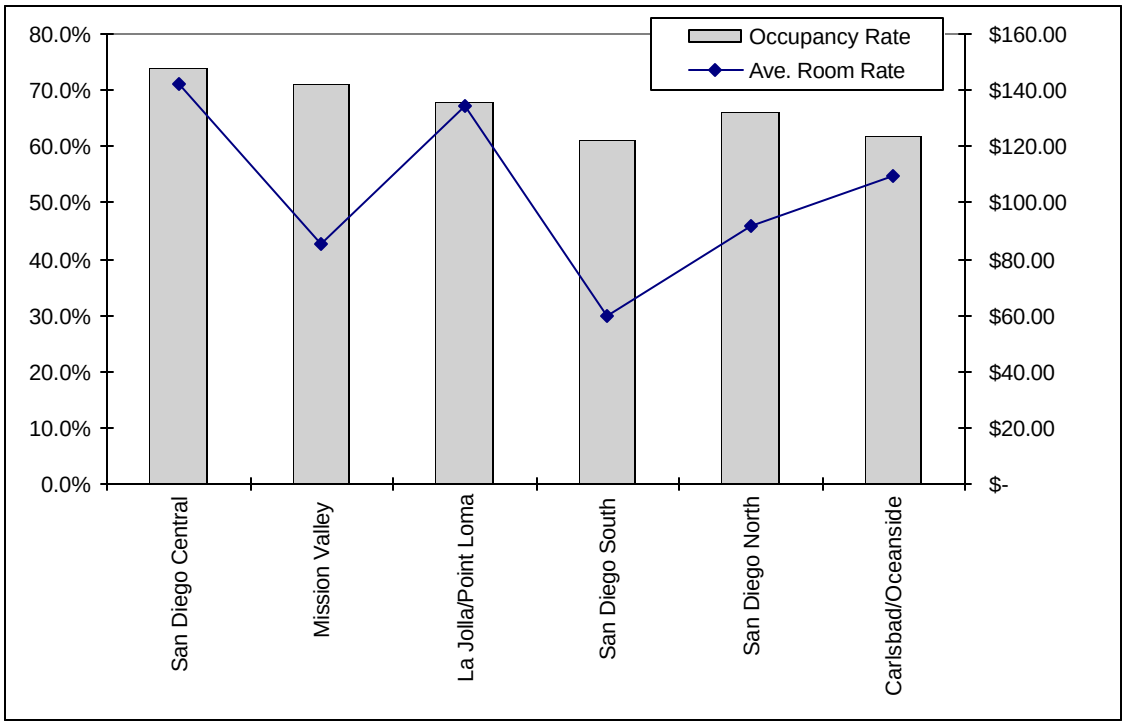
Lodging Trends

San Diego County's hotel inventory has grown over the last few years with the addition of several hotels. All new hotels have been built outside of Chula Vista, in the northern part of the County or downtown San Diego.

Exhibit IV-1 shows occupancy rates in 2002 by sub-market. As shown in the Exhibit, the San Diego South Market, which includes the City of Chula Vista, had the lowest occupancy rate of all sub-markets with 61.1 percent throughout 2002, a 3.9 percent decrease compared to the 65.0 percent occupancy rate for South San Diego in 2001. Occupancy rates for San Diego County were 69.9 percent in 2001 and 68.4 percent in 2002.

Occupancy rates in the San Diego South sub-market increased 2.0 percentage points between 1997 and 2003, from 58.4 percent to 60.4 percent respectively, as shown in Exhibit IV-2. As shown in the Exhibit, rates increased consistently between 1997 and 2001, but fell in 2002 and 2003 after the 9/11 attacks.

Exhibit IV-1 Hotel Performance by Sub-markets

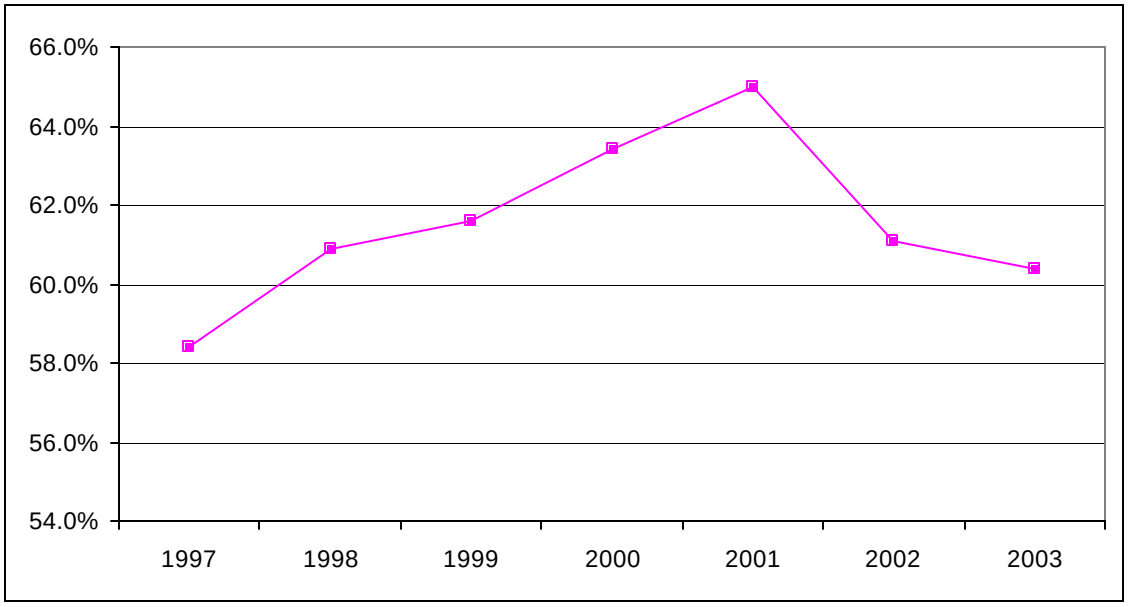


Source: San Diego County 2002 Overnight Visitor Profile Report

The average daily room rate in South San Diego was the lowest of all sub-markets, at $59.85. In San Diego County, the average daily room rate in 2002 was $110.81.

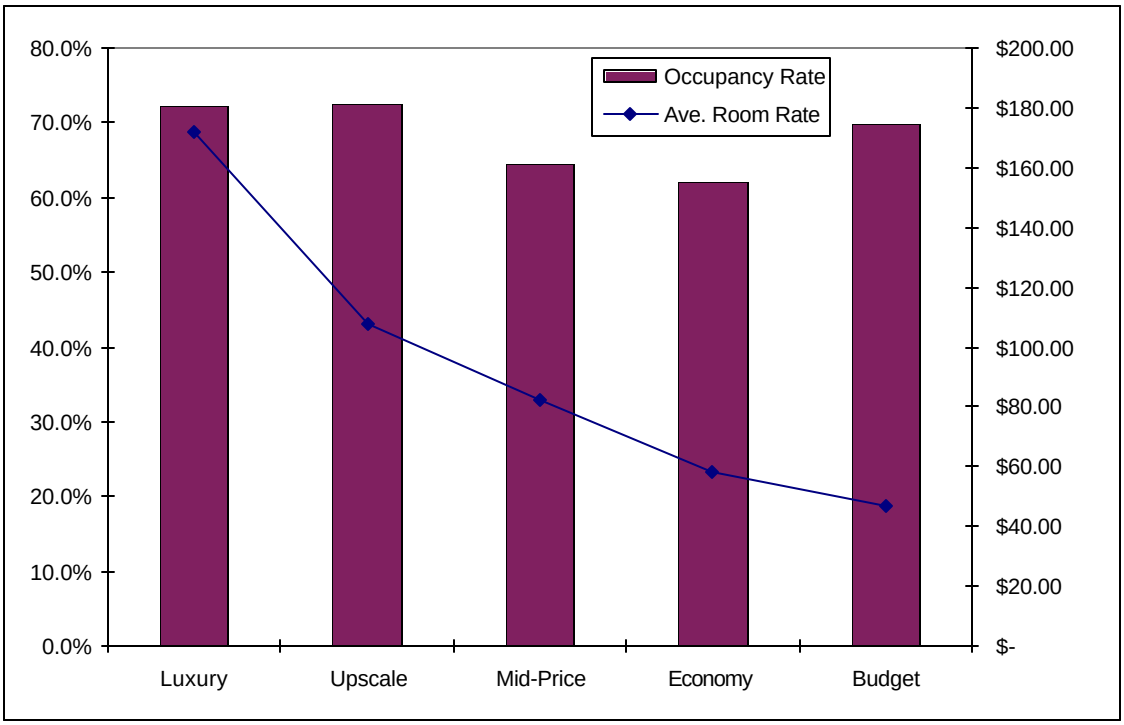
Exhibit IV-3 shows occupancy rates in 2002 by type of hotel in the San Diego Region. Luxury and upscale hotels (as defined by Smith Travel Research and the Convention & Visitors Bureau) recorded the highest annual occupancy rates, while the economy hotel category recorded the lowest occupancy rate of all groups at 62.2 percent. Nevertheless, when compared to occupancy rates in 1993, the occupancy rate for the economy category increased 8 percentage points, while the budget category recorded the biggest jump, from 56.4 percent occupancy in 1993 to 69.8 percent in 2002, a 13.4 percentage point increase. During the same period, the occupancy rate for the luxury category decreased by 1.5 percentage points, while upscale and mid-priced hotels showed a slight increase in occupancy rate.

Exhibit IV-2 San Diego South Sub-market Occupancy Trends



Source: Smith Travel Research

Exhibit IV-3 San Diego Hotel Performance by Type of Hotel



Source: San Diego County 2002 Overnight Visitor Profile Report
(San Diego Convention and Visitors Bureau and CIC Research)

Transient Occupancy Tax

There are 15 motels in the Urban Core Study Area. Table IV-6 shows the list of motels. The Urban Core only has small motels. The Transient Occupancy Tax (TOT) received from these motels was $227, 894 in 2002 and $224, 102 in 2003, for a 1.7 percent decrease. The TOT collected seems low considering the number of motels in the Urban Core. It should be noted, however, that some of these hotels are rather small, and rentals of 30 or more days are customary, excluding them from paying TOT.

Table IV-6 Chula Vista Urban Core Motels

	Name	Address	Rooms	RAC Rate Week	RAC Rate Weekend
1	Motel 6	745 E Street	176	$ 45.99	$ 59.99
2	Days Inn	699 E St.	104	$ 79.00	$ 149.00
3	South Bay Inn (Best Western)	710 E St.	76	$ 94.46	$ 104.46
4	Traveler Inn Suites	235 Woodlawn Ave.	85	$ 69.99	$ 79.99
5	Royal Vista Inn	632 E St.	80	$ 51.70	$ 66.00
6	Vagabond Inn	230 Broadway	90	$ 69.95	$ 79.95
7	Highway Inn Motel	74 Broadway	41	$ 65.00	$ 50.00
8	Avon Motel	99 Broadway			
9	Big 7 Motel	333 Broadway	45		
10	Riviera Motel	372 Broadway	22	$ 40.00	$ 45.00
11	Travel Inn	394 Broadway	70	$ 90.00	$ 110.00
12	Rodeway Inn	778 Broadway			
13	Bay Cities Motel	864 Broadway			
14	Early California Motel	692 H St.	41	$ 42.00	$ 75.00
15	El Primero Hotel	416 3rd Ave.	22	$ 80.00	$ 90.00

Source: Economics Research Associates

Recent Property Sales Transactions

According to Costar, since January 2000, there have been 318 commercial property sales transactions in the City of Chula Vista, out of which 139 were in the Urban Core Study Area, representing almost 44 percent of total property sales in the City. The majority of the sales in both the City of Chula Vista and the study area were building transactions, with 257 and 132 respectively. Land sales transactions in Chula Vista since January 2000 totaled 57, while the Urban Core registered 7 in the same time period.

Property Sales Transactions

More than 80 percent of all property sales transactions (building and land) in the City of Chula Vista since January 2000 have been building sales. In the case of the Urban Core Study Area, 95 percent of all transactions were building sales. Interestingly, more than 60 percent of all office, apartment and hotel buildings sold in the City of Chula Vista were located within the Urban Core.

In addition, 54 percent of all retail buildings sold since January 2000 were in the study area. Conversely, only 5 percent of total industrial buildings sold in the city since 2000 were located in the study area.

In total, since January 2000, building sales transactions in the Urban Core represented 51 percent of all building sales transactions in the City of Chula Vista, as shown in Table IV-7.

Table IV-7 Building Sales Transactions by Category since January 2000

	City of Chula Vista	Urban Core Study Area	Percent
Office Building	35	21	60%
Industrial Building	39	2	5%
Apartment Building	97	62	64%
Retail Building	78	42	54%
Hotel/Motel Building	8	5	63%
Total	**257**	**132**	**51%**

Source: Costar and Economics Research Associates

For every category, ERA compiled median square footage and price per square foot for property sales transactions in the City of Chula Vista as well as the Urban Core since 2003, as shown in Table IV-8 and Table IV-9. Median values were preferred as mean averages were significantly skewed upwards due to a few properties that sold for well above average.

Table IV-8: SF and Price per SF for Building Sales Transactions by Category in Chula Vista since 2003

	SF			Price/SF		
	Median	Low	High	Median	Min	Max
Office Building	16,626	748	35,000	$ 139.76	$ 80.90	$ 441.18
Industrial Building	10,000	3,250	90,000	$ 84.73	$ 70.00	$ 115.38
Apartment Building	7,776	2,400	68,925	$ 154.21	$ 97.21	$ 225.83
Retail Building	4,730	750	55,750	$ 176.14	$ 44.81	$ 1,626.67
Hotel/Motel Building	3,684	-	-	$ 176.44	$ -	$ -

Source: Costar and Economics Research Associates

Table IV-9: SF and Price per SF for Building Sales Transactions by Category in the Urban Core since 2003

	SF			Price/SF		
	Median	**Low**	**High**	**Median**	**Min**	**Max**
Office Building	8,700	748	35,000	$ 166.67	$ 94.29	$ 441.18
Industrial Building 1/	10,150	-	-	$ 66.95	-	-
Apartment Building	6,744	2,400	63,750	$ 150.33	$ 117.54	$ 225.83
Retail Building	4,730	1,512	19,200	$ 161.09	$ 97.25	$ 474.71
Hotel/Motel Building	-	-	-	-	-	-

1/ Only two transactions. Average instead of median taken

Source: Costar and Economics Research Associates

Land Sales Transactions

Table IV-10 shows land sales transactions by category for the City of Chula Vista and the Urban Core Study Area, as well as the percent of the total in the study area. Most of the land sales transactions occurred outside the Urban Core, which has limited vacant parcels. Noticeably, five of the seven land sales transactions in the Urban Core were commercial related, representing more than 20 percent of the total commercial land sales transactions in the City of Chula Vista.

In total, land sales transactions in the Urban Core represented 11 percent of all land sales in the City of Chula Vista since January 2000.

Table IV-10: Land Sales Transactions by Category

	City of Chula Vista	**Urban Core Study Area**	**Percent**
Commercial Land	23	5	22%
Industrial Land	14	0	0%
Residential Land	20	1	5%
Total	**57**	**6**	**11%**

Source: Costar and Economics Research Associates

Table IV-11 and Table IV-12 show median square footage and price per square foot for land sales transactions in the City of Chula Vista and the Urban Core since 2003.

Table IV-11: SF and Price per SF for Land Sales Transactions by Category in Chula Vista since 2003

	SF			Price/SF		
	Median	Low	High	Median	Min	Max
Commercial Land	40,510	5,750	576,299	$ 15.86	$ 3.66	$ 65.22
Industrial Land	252,212	20,037	1,943,647	$ 6.80	$ 3.09	$ 32.44
Residential Land	469,000	146,500	741,000	$ 39.29	$ 22.75	$ 39.56

Source: Costar and Economics Research Associates

Table IV-12: SF and Price per SF for Land Sales Transactions by Category in the Urban Core since 2003

	SF			Price/SF		
	Median	Low	High	Median	Low	High
Commercial Land 1/	9,775	-	-	$ 56.16	$ -	$ -
Industrial Land		-	-		-	-
Residential Land 2/	-	-	-	$ -	-	-

1/ Only two transactions. Average instead of median taken

Source: Costar and Economics Research Associates

Implications for the Urban Core

The real estate market indicators are strong for the residential and retail sectors, with rising prices and low vacancy rates countywide and within the Urban Core. Though rising, commercial retail rents and apartment rental rates in the Urban Core are below average, reflecting its older building stock. Occupancy rates are very high, indicating strong demand at existing price points. It would be difficult to support new development at commercial retail and apartment rental rates associated with the Urban Core's older building stock. New development will have to be able to command higher than average rents for the Urban Core.

Examples of new ownership housing are limited; however, the resale price of single-family homes and condominiums are growing and healthy, though moderately lower than the countywide average and prices in eastern Chula Vista. The relative affordability of housing in the Urban Core provides a near to mid-term advantage and market opportunity.

While the office sector countywide has moderately higher vacancy rates than other types of income property, office space in the Urban Core has low vacancy rates. Rents in the Urban Core, however, are lower than average, reflecting the older nature of most existing office buildings. The higher rents and strong occupancy rates achieved at the Gateway project indicate that quality new office developments can generate relatively high rental income. Whether these values were achieved due to pent-up demand from a market that had not seen new Class A office development in decades, or reflect a developing and sustainable office sub-market remains to be seen.

The lodging inventory in the Urban Core, which is comprised of older properties, is positioned for the budget traveler. The low rents and occupancy rates, and declining TOT revenues indicate that lodging is the weakest of the land uses that the Urban Core may potentially develop. While South Bay at some point may support a business hotel, Chula Vista's Bayfront or the Eastern Urban Center may be better positioned.

Commercial land prices in the Urban Core, though high for Chula Vista, are low relative to downtown San Diego, and present an opportunity to capture development, particularly urban housing development, that use to be feasible in downtown San Diego, but is no longer feasible given downtown San Diego's land prices. Compared to eastern Chula Vista, however, the Urban Core achieves lower rents, but high land prices, which makes it financially difficult to develop a financially feasible project. Future densities in the Urban Core probably have to be higher to achieve enough revenue per acre to cover land prices. How developers provide parking affordably while increasing densities, while keeping rents and prices in line with the market, will be an important challenge.

V. Market Demand Parameters

Based on the analysis of the economic base, historic and current demographic characteristics, and real estate market trends, potential long-term demand for three types of land uses that may become integral to the Urban Core strategy was estimated. These include retail, residential and office uses. The purpose of these forecast ranges are to provide capacity parameters for long-term land use planning. Given the long-term nature of these forecasts and the uncertainty associated with a 30-year time horizon, they should not be interpreted as precise annual market absorption projections.

Office Demand

Table V-1 presents projected growth for leasable office space over time countywide using an average employment density factor of 249 square feet per worker, which is calculated by dividing growth in leasable office space from 1990 to 2000 by employment growth in office-related industries from 1990 to 2000. This ratio may be more than required per worker since it may include a modest amount of new office space built to replace older obsolete office space. This factor is applied to SANDAG's projected countywide employment growth in office-related industries to forecast demand for occupied office space over time. Total supply demanded is estimated allowing for a structural vacancy rate of 7 percent.

Table V-2 presents projected demand for total office space, including owner-occupied or build-to-suit space other than hospitals and government buildings. South County's share of countywide demand is expected to grow over time given its growing share of regional population and employment, and the approaching build-out of other business park locations in the region. The low-demand estimate assumes that South County's capture of regional growth will increase over the next 25 years, reaching 7 percent of the market's growth from 2020-2030 (compared to 1.9 percent of the countywide inventory today). Some of this demand for office space may be filled by new business park locations as well as more urban locations. The moderate and high-demand scenarios assume more aggressive and accelerated growth rates of South County's market share, anticipating that pent-up demand, the growing population base in South County, economic growth in Mexico, and regional traffic congestion will provide greater incentive for new employment space in South County, reaching 15-20 percent of countywide growth between 2020 and 2030.

Office is a flexible land use that can adjust to changing land values and growing demand with increases in density. Consequently, unlike industrial space, there will continue to be significant regional capacity for additional office development in sub-markets that are competitive because

of their central locations in the region, their proximity to the region's tech industry clusters, their existing critical mass, and their ability to redevelop to higher densities.

Given these assumptions, South County's share of total countywide office supply would equal approximately 2.8 to 5.1 percent by 2030, compared to 1.9 percent today.

Chula Vista is and should continue to be the dominant office location within South County. Chula Vista's share of South County demand is estimated for low to high scenarios, with the low scenario based approximately on Chula Vista's existing share of South County office space. From 2000 to 2030, total office space demanded in Chula Vista is estimated to range from 0.9 to 3.2 million square feet, with a moderate scenario of 2.1 million square feet, including multi-tenant space, owner-occupied space, and medical office space, but excluding hospitals and government space. This is in addition to Chula Vista's year 2000 office space supply, and would place Chula Vista's 2030 supply near today's supply in East County (under the low scenario), Rancho Bernardo/Scripps Ranch (under the moderate scenario), and University City (under the high scenario).

Unlike University City, the office space supply in Chula Vista would be distributed among several areas, in particular the Bayfront, Downtown (primarily within the Urban Core), and the Eastern Urban Center in Otay Ranch. Table V-3 presents a possible allocation of citywide demand among the major potential office locations within the city – Bayside, Downtown, EUC/Otay Ranch, and elsewhere – based on the Moderate and High scenarios. Downtown and the EUC (Eastern Urban Center) are envisioned as the dominant office locations within the city, but the Bayside may be quite competitive given its waterfront location. The Bayside, however, has limitations on allowable uses within the State Tidelands Trust and strong demand for other public and commercial recreation uses that may limit it potential office development capacity.

As shown, based on reasonable allocation assumptions, the Urban Core may expect to absorb approximately 750,000 to 1.1 million square feet of office space by 2030, in addition to existing supply, under the Moderate to High scenarios. The potential amount demanded would be less under a Low scenario, but planning policy should not unduly constrain potential upside growth if the more optimistic scenarios materialize.

Table V-1 San Diego County Employment Based Office Space Projections, 2000 to 2030

1990-2000 Trends(1):			Occupied GLA	Occupied GLA Avg. Annual	
Yr.	Total GLA	Occupied GLA	Total Increase	Increase	CAGR
1990	35,067,159	27,808,257			
2000	40,889,421	38,436,056	10,627,799	1,062,780	3.3%

	Assumed % Using Office	2000	2010	2020	2030
Employment (SIC Categories)					
FIRE	100%	69,501	81,759	95,641	107,216
Manufacturing	3%	3,876	3,497	3,505	3,555
Self Employed and Domestic	10%	8,938	9,831	10,828	11,867
Services	34.0%	135,729	156,780	179,914	204,169
Transportation, Comm. & Pub. Util.	10.0%	5,080	5,588	6,068	6,913
Total		223,124	257,454	295,956	333,720
Increase in Office Employment By Period		71,218	34,330	38,502	37,764
Assumed Occupied Office Space / Empl.		249	249	249	249
Total Increase in Leasable Office Space Demand By Period from Employment Growth		10,627,799			
Factor for Owner-occupied/Build-to-suit buildings (3)		1.67			
Total Increase in Leasable & Owner-Occupied Office Space Demand By Period from Employment Growth		17,748,424	8,555,622	9,595,222	9,411,253
Total Supportable Space Allowing for Structural Vacancy of:			9,199,594	10,317,443	10,119,626
Annual Average Increase in Supportable Office Space Supply By Period			919,959	1,031,744	1,011,963
Total Leasible and Owner-Occupied Space at End of Period		82,142,777	91,342,371	101,659,814	111,779,440
Cumulative Increase in Supportable Office Space Supply 2000-2030			9,199,594	19,517,037	29,636,663

Notes:
(1) Torto Wheaton Research, A CB Richard Ellis Buinsess Unit; Sedway Group
(2) Per SANDAG's 2030 Projections
(3) Based on Co-Stars 2004 inventory of 82m s.f., including owner-occupied space
(except government & hopsitals) vs. CB Richard Ellis' inventory of 49.2m of rentable space

Source: Economics Research Associates

Table V-2 Projected Demand for Office Space in San Diego County and Chula Vista 2000 to 2030

	2010	2020	2030
Countywide			
Estimated Increase in Lesable Office Space During Previous 10 Years	9,199,594	10,317,443	10,119,626
South County Capture Rate Scenarios			
Low Scenario	3.0%	5.0%	7.0%
Moderate Scenario	5.0%	10.0%	15.0%
High Scenario	7.0%	13.0%	20.0%
South County Space Demand for Period			
Low Scenario	275,988	515,872	708,374
Moderate Scenario	459,980	1,031,744	1,517,944
High Scenario	643,972	1,341,268	2,023,925
South County Cummulative Space			
Low Scenario	275,988	791,860	1,500,234
Moderate Scenario	459,980	1,491,724	3,009,668
High Scenario	643,972	1,985,239	4,009,164
Chula Vista as Percentage of South Suburban			
Chula Vista Capture Rate Scenarios			
Low Scenario	60.0%	60.0%	60.0%
Moderate Scenario	70.0%	70.0%	70.0%
High Scenario	80.0%	80.0%	80.0%
Chula Vista Space Demand for Period			
Low Scenario	165,593	309,523	425,024
Moderate Scenario	321,986	722,221	1,062,561
High Scenario	515,177	1,073,014	1,619,140
Chula Vista Cummulative Space			
Low Scenario	165,593	475,116	900,140
Moderate Scenario	321,986	1,044,207	2,106,768
High Scenario	515,177	1,588,191	3,207,332

Source: Economics Research Associates

Table V-3 Assumed Distribution of Office Space Demand in Chula Vista 2000-2030

	%	2010	%	2020	%	2030
Cumulative Office Space						
Moderate Scenario:	100%	322,000	100%	1,044,000	100%	2,107,000
Bayside	10%	32,200	15%	157,000	23%	485,000
Downtown	40%	128,800	40%	417,600	35%	737,000
EUC/Otay Ranch/EastLake	45%	144,900	40%	417,600	40%	843,000
Elsewhere	5%	16,100	5%	52,000	2%	42,000
High Scenario:	100%	515,000	100%	1,588,000	100%	3,207,000
Bayside	10%	51,500	15%	238,000	23%	738,000
Downtown	45%	231,750	40%	635,200	35%	1,122,000
EUC/Otay Ranch/EastLake	45%	231,750	40%	635,200	40%	1,283,000
Elsewhere	5%	25,750	5%	79,000	2%	64,000

Source: Economics Research Associates

Retail Demand

The Urban Core has access to several potential consumer markets, including local and out-of-area households, downtown area employees, overnight visitors and cross border shoppers. Retail support attributed to downtown area employees follows the current General Plan allocation of space at build-out.

Table V-4 through Table V-6 presents estimated retail sales from the primary, secondary, and tertiary resident markets based on estimated household buying power in each market and assumed capture rates for different types of retail centers. The estimated number of future households in the resident market areas are based on existing forecasts, which are based on existing land use plans. If these plans change to add more residents, the estimate of buying power, and therefore supportable retail space would be proportionately greater.

The share of total sales by shopping center type was assigned based on expenditures in San Diego County. Additionally, ERA assumed capture rates by store type, which varies by type of center and market analyzed. The closer the market area to the Urban Core, the higher the capture rate assumed.

Table V-7 shows potential retail support from other sources, including downtown employees, cross border traffic and overnight visitors. For the employee component, the average daily retail spending was assumed at $4.00. It is assumed that supportable sales-per-SF for new retail development is $300. Downtown retail is assumed to capture 25 percent of cross border expenditures in Chula Vista, which in turn is assumed to capture 20 percent of total cross border expenditures in San Diego County. For overnight visitors, ERA assumed hotel occupancy rates at 60 percent and average retail expenditures per room night of $25.00

Table V-8 provides a final summary of supportable retail space from residents, downtown employees, cross border traffic and overnight visitors. It is assumed that the Urban Core would capture 85 percent of supportable space for the Chula Vista downtown area, or 2.3 million square feet of gross leasable retail space, including existing retail space within the Urban Core, such as Chula Vista Shopping Center, 3rd Avenue, E Street, H Street, and Broadway.

The City has particular interest in support for restaurants within the Urban Core, especially higher-end restaurants. In response to this particular interest, ERA projected the number of households required to support 20,000 square feet of eating and drinking space considering $1,467 average annual eating and drinking sales per household for San Diego County and average sales per square foot of $312. The households needed to support 20,000 square feet of restaurant space (a cluster of 3-4 restaurants) at various capture rates are as follows:

Capture Rate	Households Needed
100 %	4,259
50 %	8,518
10 %	42,588
5 %	85,176

If the restaurants achieved higher than average sales per square foot, the number of households required would be more at each capture rate assumption. It is important to note that in the highly competitive San Diego regional market, no specific restaurant cluster will attract 100 percent, or event 50 percent, of household dining and drinking expenditures. The number of households needed in the market area under a 5 to 10 percent capture rate scenario is probably closer to reality for a specific restaurant cluster.

Table V-4 Chula Vista Potential Retail Sales 2030: Downtown Residents (Primary Market) Resident Market Support Based on the Existing General Plan

Coutywide Expenditure/HH		$ 20,401					
Countywide Avg. HH Income		$ 69,805					
Market Area Avg. HH Income		$ 51,629					
Market Area Exp./HH Income Relative to Countywide Average		80.6%					
Market Area Exp./HH Income		$ 16,441					
Households (2030)		20,504					
		Super Regional Center	**Regional Center**	**Community Center**	**Neighborhood Center**	**Other**	**Total**
Share of Total Sales		10.8%	12.1%	21.0%	17.5%	38.6%	100.0%
Distribution/Household		$ 1,779	$ 1,993	$ 3,448	$ 2,875	$ 6,346	$ 16,441
Capture Rate/Store Type		40.0%	40.0%	70.0%	90.0%	70.0%	--
Captured Sales/Household		$ 711	$ 797	$ 2,414	$ 2,587	$ 4,442	$ 10,952
Total Captured Sales ($000s)		$ 14,587	$ 16,345	$ 49,494	$ 53,048	$ 91,083	# $ 224,557
Sales/s.f. (by center type)		$ 258	$ 254	$ 269	$ 323	$ 300	--
Supportable GLA (s.f.)		56,585	64,264	183,706	164,215	303,611	772,382
Supportable Acreage @ FAR	0.3	4.33	4.92	14.06	12.57	23.23	**59.10**

Source: Economics Research Associates.

Table V-5 Chula Vista Potential Retail Sales 2030: Rest of Chula Vista Excluding Downtown (Secondary Market) Resident Market Support Based on the Existing GP

Coutywide Expenditure/HH		$ 20,401					
Countywide Avg. HH Income		$ 69,805					
Market Area Avg. HH Income		$ 64,332					
Market Area Exp./HH Income							
Relative to Countywide Average		94.6%					
Market Area Exp./HH Income		$ 19,309					
Households (2030)		68,435					
		Super Regional Center	**Regional Center**	**Community Center**	**Neighborhood Center**	**Other**	**Total**
Share of Total Sales		10.8%	12.1%	21.0%	17.5%	38.6%	100.0%
Distribution/Household		$ 2,089	$ 2,341	$ 4,050	$ 3,376	$ 7,453	$ 19,309
Capture Rate/Store Type		25.0%	25.0%	15.0%	10.0%	10.0%	--
Captured Sales/Household		$ 522	$ 585	$ 608	$ 338	$ 745	$ 2,798
Total Captured Sales ($000s)		$ 35,737	$ 40,045	$ 41,574	$ 23,105	$ 51,006	# $ 57,365
Sales/s.f. (by center type)		$ 258	$ 254	$ 269	$ 323	$ 300	--
Supportable GLA (s.f.)		138,632	157,446	154,311	71,524	170,020	691,932
Supportable Acreage @ FAR	0.3	10.61	12.05	11.81	5.47	13.01	**52.95**

Source: Economics Research Associates.

Table V-6 Chula Vista Potential Retail Sales 2030: Rest of San Diego County (Tertiary Market) Resident Market Support Based on the Existing GP

Estimated Tertiary Market Capture (2003)	$	654	Million (from ERA's Fiscal Impact analysis)
Projected Countywide HH Growth		1.09%	annually between 2000-2030 (excluding Chula Vista)
Potential Tertiary Market Capture in Chula Vista (2030)	$	876	Million
Tertiary Market Capture (2030) adjusted for Vehicle purchases (less 12%)	$	771	
Downtown Share of Citywide Retail Land Inventory at buildout		24.5%	
Estimated Regional Capture in Downtown (2030)	$	214	Million
Supportable GLA (s.f.) @ $300/s.f.		714,463	
Supportable Acreage @ FAR 0.3		**54.67**	

Source: Economics Research Associates.

Table V-7 Downtown Chula Vista: Potential Retail Support from Other Sources (2030)
Based on the Existing General Plan

Retail Support Attributed to Downtown Area Employees				
Land Use at Buildout		Acres	Est. Employee/acre	Employees
Office Commercial	CO	81.3	76.7	6,231
Retail Commercial	CR	218.4	20.5	4,486
Thoroughfare Commercial	CT	66.9	10.5	699
Visitor Commercial	CV	22.5	14.0	315
Resort/Recreational	RES	-	22.3	-
General Industrial	I	-	12.1	-
Research & Limited Industrial	IL	94.9	24.0	2,274
Public/Quasi-Public Uses	PQ	211.5	6.0	1,269
Total Employment				15,274
Average Annual Workdays		235		
Average Daily Employee Spending		$4.00		
Total Annual Expenditure		$14.4	Million	
Estimated Supportable Sales/s.f.		$300		
Estimated Supportable GLA (s.f.)		47,859	s.f.	
Estimated Supportable Acreage @ FAR	0.30	**3.66**	**Acres**	

Retail Support Attributed to Cross-Border (Mexican) Traffic - excluding workers and tourists				
Estimated countywide cross border retail expenditure (2003):				
Gross Retail Exp.		$ 1,917.3	Million	
Estimated Capture in Chula Vista	20%	$383.5	Million	
Estimated Downtown Capture (2003)	25%	$95.9	Million	
Estimated Mexican Exp. Growth (2003-2030)		0.5%	Annually	
Estimated Mexican Retail Exp.in Downtown (2030)		$109.7	Million	
Estimated Supportable Sales/s.f.		$300		
Estimated Supportable GLA (s.f.)		365,619	s.f.	
Estimated Supportable Acreage @ FAR	0.30	**27.98**	**Acres**	

Retail Support Attributed to Overnight Visitors (Hotel Rooms)				
Developed Visitor Commercial (CV) Acres		22.5	acres	
Estimated Existing Rooms/developed acre		22	rooms/acre	
Estimated Total Rooms		497	rooms	
Annual room-nights @ occupancy of	60%	108,771	room nights	
Avg. retail expenditure/room night		$ 25.00	/room-night	
Estimated taxable retail sales attributed to hotel rooms		$ 2.72	Million	
Estimated Supportable Sales/s.f.		$300		
Estimated Supportable GLA (s.f.)		9,064	s.f.	
Estimated Supportable Acreage @ FAR	0.30	**0.69**	**Acres**	

Source: Economics Research Associates.

Table V-8 Supportable Retail Space in Downtown Chula Vista (2030) Under the Existing General Plan

	Area (s.f.)	Acres
Resident Market		
Primary Market Support	772,382	59.1
Secondary Market Support	691,932	52.9
Tertiary Market Support	714,463	54.7
Subtotal	**2,178,777**	**166.7**
Other retail Sources		
Area Employees	47,859	3.7
'Cross-Border' Shoppers	365,619	28.0
Other overnight visitors	9,064	0.7
Subtotal	**422,542**	**32.3**
Urban Core Capture of Downtown Area	**85%**	
TOTAL	**2,211,121**	**169.2**

Source: Economics Research Associates

Housing Demand

Table V-9 presents projected housing demand for the Urban Core in 2010, 2020 and 2030. To calculate the demand, ERA obtained SANDAG's projected net growth figures for the 2000-2010, 2010-2020 and 2020-2030 periods for SRA-21 (western Chula Vista) and the South Suburban Major Statistical Area. SRA-21's share of the South Suburban MSA's projected net growth is the basis for the low demand scenario. Even though SRA-21's share of the South Suburban MSA's household growth increased significantly from 2 percent (between 2000 and 2010) to 6 percent (between 2010 and 2020) to 17 percent (between 2020 and 2030), absolute increases in households for SRA-21 did not vary greatly, since, according to SANDAG's forecasts, South Suburban's net growth share of San Diego County growth is forecasted to decrease greatly after 2020.

Medium and High scenarios assumed that SRA-21 will capture a higher than projected share of total household growth in the South Suburban MSA, assuming that the City of Chula Vista implements policies that facilitate redevelopment and infill development, and increases the Urban Core's potential development capacity. ERA assumed that the Urban Core might capture half of all future growth in SRA-21, with remaining growth occurring in the Bayfront and elsewhere within downtown and western Chula Vista. This percentage is consistent with expected growth in the Chula Vista Bayfront, considering that some of the growth in the Bayfront would come from households that otherwise would not live in the area.

Total cumulative housing projections by 2030 in the Urban Core estimate almost 1,098 new households in the low scenario, more than 1,924 in the medium scenario and 2,749 in the high scenario.

Table V-10 shows single and multiple family housing units for the Urban Core Study Area in 2010, 2020 and 2030. ERA assumed 30 percent of all future housing units to be single-family units and 70 percent to be multiple housing units. Single-family housing within the Urban Core may include small lot single-family homes, as found in downtown Oceanside, or attached town homes, as found in San Diego's Uptown Community Plan area. Multi-family housing may include ownership and rental multi-level housing at various densities and heights within the Urban Core.

Table V-9 Chula Vista Urban Core Study Area Housing Demand for 2010, 2020 and 2030

	2000	2004	2010	2020	2030
South Suburban MSA Households					
Total Households	94,080	108,083	121,787	135,377	139,522
South Suburban Housing Net Growth					
Total Households			27,707	13,590	4,145
SRA 21 Households					
Total Households	37,694	38,397	38,373	39,205	39,890
SRA-21Housing Net Growth					
Total Households			679	832	685
SRA 21 Net Growth as a Percentage of South Suburban Net Growth					
Low Scenario			2%	6%	17%
Moderate Scenario			5%	11%	23%
High Scenario			8%	15%	30%
Estimated SRA 21 Household Growth					
Low Scenario			679	832	685
Moderate Scenario			1,448	1,435	964
High Scenario			2,217	2,039	1,244
Urban Core Household Growth Per Period @ 50% of SRA 21 Growth					
Low Scenario			340	416	343
Moderate Scenario			724	718	482
High Scenario			1,108	1,019	622
Cumulative Urban Core Household Growth					
Low Scenario			340	756	1,098
Moderate Scenario			724	1,442	1,924
High Scenario			1,108	2,128	2,749

Source: SANDAG and Economics Research Associates

Table V-10: Estimated Single and Multiple Family Housing Demand in the Chula Vista Urban Core Study Area for 2010, 2020 and 2030

	2010	2020	2030
Urban Core Single Family Housing Demand @ 30 Percent of Estimated Urban Core Demand			
Low Scenario	102	125	103
Moderate Scenario	217	215	145
High Scenario	332	306	187
Cumulative Urban Core Single Family Housing Demand			
Low Scenario	102	227	329
Moderate Scenario	217	432	577
High Scenario	332	638	825
Urban Core Multi-Family Housing Demand @ 70 Percent of Estimated Urban Core Demand			
Low Scenario	238	291	240
Moderate Scenario	507	502	337
High Scenario	776	713	435
Cumulative Urban Core Multi-Family Housing Demand			
Low Scenario	238	529	769
Moderate Scenario	507	1,009	1,347
High Scenario	776	1,489	1,924

Source: SANDAG and Economics Research Associates

Scenario 2 – Continued South Suburban MSA Growth

SANDAG's household forecasts for the South Suburban MSA assume a significant tapering of growth in each decade from 2000 to 2030. SANDAG assumes a 2.6 percent annual growth rate between 2000 and 2010, falling to 1.1 percent from 2010 to 2020, falling to 0.30 percent from 2020 and 2030. Some decline in the annual growth rate is expected as the household base in the South Suburban MSA increases. However, the decline is faster than the decline assumed countywide. SANDAG's forecasts may assume that growth in the South Suburban MSA will fall dramatically as Otay Ranch approaches build-out.

If the communities in the South Suburban MSA increase their potential build-out capacity, South Suburban MSA's household growth rates should not decline so rapidly. There is no reason to assume that the South Suburban MSA would be less appealing between 2020 and 2030 than it is prior to 2020 if capacity is increased unless infrastructure and public facility standards are not maintained.

It is reasonable to assume that build-out capacity in the South Suburban MSA will increase. Chula Vista is contemplating such increases as it updates its General Plan, including within the Eastern Urban Center, Downtown, and the upland portions of the Bayfront. The City of San Diego is considering adding housing capacity to the Otay Mesa Community Plan. San Ysidro and National City redevelopment efforts contemplate new urban housing capacity. While most of these changes in policies that will increase housing capacity have not yet been approved, it is likely that some will be approved given the regional housing affordability issue.

Assuming that household growth in the South Suburban MSA continues between 2020-2030 at the same rate as SANDAG forecasts for the 2010-2020 period, and that the Urban Core can capture a significant share of this growth, the Urban Core might accommodate over 1,500 to over 3,600 new housing units between 2000 and 2030, as presented in Table V-10, of which most would be multi-family housing given land prices, as estimated in Table V-11.

Table V-10 Chula Vista Urban Housing Demand for 2010, 2020 and 2030
(Second Scenario – Assuming 2010-2020 Growth Rate Continues Between 2020-2030)

	2000	2004	2010	2020	2030
South Suburban MSA Households					
Total Households	94,080	108,083	121,787	135,377	150,483
South Suburban Housing Net Growth					
Total Households			27,707	13,590	15,106
SRA 21 Net Growth as a Percentage of South Suburban Net Growth					
Low Scenario			2%	6%	10%
Moderate Scenario			5%	11%	15%
High Scenario			8%	15%	20%
Estimated SRA 21 Household Growth					
Low Scenario			679	832	1,511
Moderate Scenario			1,448	1,435	2,266
High Scenario			2,217	2,039	3,021
Urban Core Household Growth Per Period @ 50% of SRA 21 Growth					
Low Scenario			340	416	776
Moderate Scenario			724	718	1,133
High Scenario			1,108	1,019	1,511
Cumulative Urban Core Household Growth					
Low Scenario			340	756	1,532
Moderate Scenario			724	1,442	2,575
High Scenario			1,108	2,128	3,639

Source: SANDAG and Economics Research Associates

Table V-11 Single and Multiple Family Housing Demand in the Chula Vista Urban Core Study Area for 2010, 2020 and 2030
(Second Scenario – Assuming 2010-2020 Growth Rate Continues Between 2020-2030)

	2000	2004	2010	2020	2030
Urban Core Single Family Housing Demand @ 30 Percent of Estimated Urban Core Demand					
Low Scenario			102	125	233
Moderate Scenario			217	215	340
High Scenario			332	306	453
Cumulative Urban Core Single Family Housing Demand					
Low Scenario			102	227	460
Moderate Scenario			217	432	772
High Scenario			332	638	1,091
Urban Core Multi-Family Housing Demand @ 70 Percent of Estimated Urban Core Demand					
Low Scenario			238	291	543
Moderate Scenario			507	502	793
High Scenario			776	713	1,058
Cumulative Urban Core Multi-Family Housing Demand					
Low Scenario			238	529	1,072
Moderate Scenario			507	1,009	1,802
High Scenario			776	1,489	2,547

Source: SANDAG and Economics Research Associates

Urban Core Capacity

Estimated build-out capacity for residential, retail and office space in the Urban Core under the proposed General Plan update is presented in Table V-12, based on data provided by the City of Chula Vista. The table also presents total existing land uses in 2004 and the development capacity for new incremental growth.

Table V-12 Urban Core Plan Capacity for New Incremental Growth

	Residential Units	Retail S.F.	Office S.F.
Build-out Capacity	10,865	4,795,712	2,936,818
Total Existing Land Use 2004	5,036	2,990,978	2,377,766
Development Capacity for New Incremental Growth	5,829	1,804,734	559,052

As shown in the table, existing residential units in 2004 represent only 46 percent of the Urban Core's total capacity at build-out, which leaves capacity for over 5,800 units in the Urban Core.

Estimated retail space in the Urban Core in 2004 represents approximately 62 percent of the total capacity at build-out, which leaves around 1.8 million square feet of retail space to be developed.

Estimated office space in the Urban Core in represents almost 81 percent of the total build-out capacity, leaving 560,000 square feet for new development.

Table V-13 compares development capacity for residential, retail and office space in the Urban Core with estimated demand projected by ERA.

Table V-13 Growth Capacity vs. Estimated Demand (2004-2030)

	Residential Units	Retail S.F.	Office S.F.
Development Capacity for New Incremental Growth	5,829	1,804,734	559,052
Estimated Demand (1) (2004-2030, High Scenarios)	3,639	530,536	1,122,000
Net Surplus <Deficit> Capacity at 2030	2,190	1,274,198	(562,948)

Based on this comparison, it appears that the Urban Core plan, as currently planned, may have additional capacity for residential and retail development, and perhaps insufficient capacity for potential office development. The extra residential and retail capacity could be considered upside potential for additional growth if market forecasts prove too conservative. It may also represent additional capacity beyond the year 2030. It appears, however, that the City has the flexibility of considering some re-allocation of uses if it so chooses. In particular, the City may want to designate that some of the commercial-retail capacity would be mixed-use commercial that could be developed either as commercial retail or commercial office space. This would help address the potential shortfall in office space capacity.

Given the long term housing needs in the region, the housing capacity should not be reduced necessarily since it will be needed someday as the region continues to grow, unless a reduction is required to address other planning objectives and policies. However, infrastructure and public facility financing strategies may want to anticipate that not all of this capacity will be built by 2030.

Financial Feasibility Issues

The amount of revenue a property can generate relative to increases in costs must be greater to induce private redevelopment and renovation, without public subsidies. Rents and home prices, and densities, will have to be greater to generate this additional revenue.

How parking is addressed, in terms of standards (such as reducing standards near transit or allowing shared parking standards for mixed-use development), location (forming parking districts that can pool parking in-lieu fees to provide serviceable off-site parking at a lower cost due to economies of scale), and type (ensuring parking development costs are commensurate with achievable rents) is important.

Another major issue that will affect feasibility is the ultimate impact fee costs, given the potentially higher cost of providing public facilities in an existing community to serve the additional population.

If the Urban Core Plan's allowable densities requires subterranean parking, rents and home prices per square foot will have to be even greater to afford the high cost of subterranean parking. A Keyser Marston Associates (KMA) study for the City of Chula Vista that tested the residual value of alternative forms of housing at different densities concluded that townhomes and mid-rise condominium development currently are the most feasible housing prototype, supporting current estimates of acquisition costs for improved properties in western Chula Vista. The feasibility of

high-rise condominium development appeared low because of the higher costs relative to prices, although a relatively modest increase in high-rise price assumptions (which the Chula Vista Urban Core could evolve into) would make high-rise development feasible. KMA concluded that rental rates currently are too low to support increases in land values and construction costs.

Building upon KMA's analysis and using similar impact fee factors, ERA evaluated three hypothetical mixed-use housing and retail scenarios on 50,000 square foot lots, and applying the draft development standards prepared by RRM Associates. The first two scenarios were variations of mixed-use development within the V-2 Village area. The first scenario, V-2-A, assumes that development maximizes the allowed floor-area ratio (FAR), necessitating subterranean parking. The second scenario, V-2-B, assumes that only one level of lower cost tuck-under parking (half level below grade and half above grade, utilizing natural ventilation) is developed and the number of residential units is limited by the parking supply. Both of these scenarios assume that commercial parking requirements is satisfied off-site through parking in-lieu fees. The third scenario, V-12, assumes a high-rise, transit-oriented, mixed-use development were all parking is placed on site. Theses analyses are presented in Appendix A.

The estimated residual land values that these scenarios may support are as follows:

Scenario	**Residual Land Value Per S.F. of Land Area**
V-2A: FAR Capacity	$21
V-2B: Parking Constrained	$71
UC-12: Transit-Oriented High-Rise	$22

There are limited land sales in the Urban Core against which to compare with the estimated residual values since the Urban Core's land is mostly developed. Since 2003, the median price of commercial retail land in Chula Vista was $15.90 per square foot, and the median price for residential land was $39 per square foot. There were only a couple of commercial land sales within the Urban Core, averaging $56 per square foot. KMA reports prices for lower density residential developments (20 units per acre or less) of $10 per square foot, a sale price of $20 per square foot for a site forming a portion of the proposed Esplanade condominium on H Street, and a median sales price for commercial sites in urban South Bay of $22 per square foot, with the highest value site in Downtown Chula Vista.

While the residual land values estimated are comparable for higher density residential and commercial land in the urban areas of South Bay, only the Parking Constrained scenario generates sufficient value to recover the cost of property acquisition that includes land and existing improvements (assuming under-performing and obsolete buildings), which is the more common scenario within the Urban Core. KMA reports median sales prices for improved

properties in urban South Bay range from $41 to $63 per square foot of land area, considerably higher than unimproved land.

The reason the Parking Constrained scenario performs better is that the high cost of subterranean parking is avoided. The UC-12 scenario, the Transit-Oriented High Rise Scenario, also must compensate for higher construction costs per unit associated with high-rise development. While a 10 percent average premium per square foot was assumed for the high-rise development, a greater view premium would be required to compensate for the extra development costs.

Based on this analysis, the City should strive to improve the feasibility of private redevelopment by doing the following:

- Strive to reduce the impact fee cost burden on development through efficient infrastructure planning, and the use of public funds (such as redevelopment funds) to cover some of the costs of infrastructure and public facility provision;

- Reduce parking in-lieu fees by developing district parking as a public/private partnership, and/or base fees on the provision of common surface lots, rather than structured parking.

These measures are particularly important in the early phases of the Urban Core's redevelopment. Overtime, as prices and rents rise in real terms relative to construction costs, the residual land value of development will rise and the ability for private parties to purchase existing properties, without subsidy will improve, as will development's capacity to absorb higher parking and impact fee costs.

VI. SWOT Analysis

This section provides an outlook of the Urban Core's strengths, weaknesses, opportunities, and threats from a market and economic perspective. The Urban Core should build-upon its strengths, overcome or mitigate its weaknesses, exploit its opportunities, and monitor its threats as it develops in the future.

Strengths

- Location between downtown San Diego and Tijuana
- Strong and established retail market
- Proximity to the Bay
- Established employment, retail, and residential center with high occupancy
- Public investment in infrastructure
- Quality entry-level and mid-market rate ownership housing
- Transit linkages
- Traditional downtown district
- Good regional access

Weaknesses

- Relatively lower incomes
- Limited visitor industry
- Low hotel room rates and occupancy rates
- Aging building stock
- Relatively lower rents
- Public facility deficiencies
- Relatively neutral regional market image
- Relatively weak linkage with the Bayfront

Opportunities

- Affordable development relative to downtown San Diego
- Ability to capture a larger share of housing demand than SANDAG forecasts
- An alternative urban lifestyle than downtown San Diego
- Coastal view development and links to the Bayfront
- Pedestrian and transit-oriented development
- Intercept Mexican market consumers
- Become South County's office employment, retail, and entertainment center
- Housing for many incomes, preferences, and cultures

Threats

- Competition from other mixed-use urban nodes in the region
- Competition from Bayfront development if not linked with core
- Competition from the Eastern Urban Center if not adequately distinguished
- Cost and complexity of land assembly and infill development
- Infrastructure and public facility constraints
- Not overcoming "second tier" reputation in regional market
- Exposure to Mexican currency fluctuations

Concentrating efforts in keystone districts within the Urban Core to show success and generate some critical mass, rather than dilute efforts with individual scattered developments, may be important for generating momentum and long-term success, so that people choose to live, shop, and work in the Urban Core because of its own distinct identity.

Appendix A

Table 1
First Scenario - FAR Capacity

V-2A VILLAGE ASSUMPTIONS

Lot Size	**50,000**
Maximum Coverage	**90%**
Lot Available for Construction	**45,000**

Floor Area Ratio	**3**
Maximum Construction SF	**150,000**

Square Feet Breakdown	**Percentage**	**SF**
- Residential	**70%**	**105,000**
- Retail	**20%**	**30,000**
- Office	**10%**	**15,000**

Parking Spaces	**Zoning Reg.**	**Spaces**
- Onsite Residential *	**1.5**	**143**
- Offsite Commercial	**3**	**135**

*** 1.5 parking spaces per residential unit**
*** Capacity of 121 parking spaces per underground parking level**

Source: Economics Research Associates

Table 2
First Scenario - FAR Capacity

V-2A VILLAGE ESTIMATED REVENUES FROM RESIDENTIAL PROPERTY SALE

Unit Type	Total Residential SF	Average Size per Unit	# of Units	Square Footage Per Unit	Price Per Unit	Price Per Square Foot	Total Sales Revenue
Condominium Units	105,000	1,100	95	1,100	$313,500	$285.00	$29,782,500
Total			**95**				**$29,782,500**

Residential Revenue		
Total Sales		$29,782,500
Cost of Sale	4%	($1,191,300)
Net Residential Revenue		**$28,591,000**
Revenue per SF		**$272**

Source: Economics Research Associates.

Table 3
First Scenario - FAR Capacity

V-2A VILLAGE ESTIMATED COMMERCIAL SPACE REVENUE

Leasable Retail SF			30,000	SF
Leasable Office SF			15,000	SF
Total Leasable SF			45,000	SF
NNN Monthly Retail Rental Rate		$	1.75	per month
NNN Monthly Office Rental Rate		$	2.00	per month
Gross Retail Annual Rental Income			$630,000	
Gross Office Annual Rental Income			$360,000	
Total Gross Annual Rental Income			$990,000	
Less Vacancy & Collection	5%	$	(49,500)	
Gross Effective Income			$940,500	
Non-reimbursable operating expenses	4%		(37,620)	
Net Operating Income			$902,880	
Cap Rate			9%	
Estimated Capitalized Value			**$10,032,000**	
Capitalized Value per SF			**$223**	

Source: Economics Research Associates

Table 4
First Scenario - FAR Capacity

V-2A VILLAGE DEVELOPMENT COSTS

Project Square Footage

Retail	30,000
Office	15,000
Residential for Sale	105,000

Underground Parking (Residential Spaces only) 143 2 underground parking levels

	Total	Per SF	Per Space	Per Unit	% of Total
Direct Costs					
Direct Costs, Retail /1	$2,880,000	$96			8.6%
Direct Costs, Office /1	$2,025,000	$135			6.0%
TI Allowance	$900,000	$20			2.7%
Direct Costs, Residential /1	$11,970,000	$114			35.7%
Direct costs, Underground Parking	$3,562,500			$25,000	10.6%
Subtotal Direct Costs	**$21,337,500**				63.6%
Commercial Parking Fee	**$2,193,750**		$13,000		6.5%
Soft Costs					
Developer Overhead 2/	$853,500				2.5%
Residential Open Space Fee	$950,000			$10,000	2.8%
Commercial and Residential Fees 3/	$2,336,814				7.0%
Financing Costs /4	$1,920,375				5.7%
Architectural & Engineering 5/	$640,125				1.9%
Miscelaneous (Legal and Other)	$250,000				0.7%
Subtotal Indirect Costs	**$6,950,814**				20.7%
Contingency 6/	**$3,048,206**				9.1%
Total Development Cost (excluding land)	**$33,530,271**				100.0%

1/ Includes site improvements, demolition, construction cost, contingency, etc.
2/ Based on 4% of Subtotal Direct Costs
3/ Includes Public Facility, Sewer, Park, Plan Check, Building Permit, School and Water Capacity Fees
4/ Based on 9% of Subtotal Direct costs
5/ Based on 3% of Subtotal Direct Costs
6/ Based on 10% of Subtotal Direct Costs, Commercial Parking Fee and Subtotal Indirect Costs

Source: Economics Research Associates

Table 5
First Scenario - FAR Capacity

V-2A VILLAGE FINANCING ESTIMATE

Revenues		**Amount**
For-sale Housing Revenue		$28,591,000
Capitalized Value of Retail Rental Property		$10,032,000
Total Sources of Revenue		**$38,623,000**
Costs		
Direct Costs		$21,337,500
Commercial Parking Fee		$2,193,750
Indirect Costs (Soft Costs, Financing & Fees)		$6,951,000
Contingency		$3,048,000
Total Costs Excluding Land		**$33,530,250**
Developer Profit	12%	$4,023,630
Total Costs Excluding Land		**$37,553,880**
NET		**$1,069,120**
Residential Value per SF of Land		**$21.4**

Source: Economics Research Associates

Table 6
Second Scenario - Parking Constrained

V-2B VILLAGE ASSUMPTIONS

Lot Size	**50,000**
Maximum Coverage	**90%**
Lot Available for Construction	**45,000**

Floor Area Ratio	**3**
Maximum Construction SF	**150,000**

Square Feet Breakdown	**Percentage**	**SF**
- Residential	**70%**	**105,000**
- Retail	**20%**	**30,000**
- Office	**10%**	**15,000**

Parking Spaces	**Zoning Reg.**	**Spaces**
- Onsite Residential *	**1.5**	**121**
- Offsite Commercial	**3**	**135**

*** 1.5 parking spaces per residential unit**
*** Capacity of 121 parking spaces per tuckunder parking level**

Source: Economics Research Associates

Table 7
Second Scenario - Parking Constrained

V-2B VILLAGE ESTIMATED REVENUES FROM RESIDENTIAL PROPERTY SALE

Unit Type	Total Residential SF	Average Size per Unit	# of Units	Square Footage Per Unit	Price Per Unit	Price Per Square Foot	Total Sales Revenue
Condominium Units	89,100	1,100	81	1,100	$313,500	$285.00	$25,393,500
Total			**81**				**$25,393,500**

Residential Revenue		
Total Sales		$25,393,500
Cost of Sale	4%	($1,015,740)
Net Residential Revenue		**$24,378,000**
Revenue per SF		**$274**

Source: Economics Research Associates.

Table 8
Second Scenario - Parking Constrained

V-2B VILLAGE ESTIMATED COMMERCIAL SPACE REVENUE

Leasable Retail SF			30,000	SF
Leasable Office SF			15,000	SF
Total Leasable SF			45,000	SF
NNN Monthly Retail Rental Rate		$	1.75	per month
NNN Monthly Office Rental Rate		$	2.00	per month
Gross Retail Annual Rental Income			$630,000	
Gross Office Annual Rental Income			$360,000	
Total Gross Annual Rental Income			$990,000	
Less Vacancy & Collection	5%	$	(49,500)	
Gross Effective Income			$940,500	
Non-reimbursable operating expenses	4%		(37,620)	
Net Operating Income			$902,880	
Cap Rate			9%	
Estimated Capitalized Value			**$10,032,000**	
Capitalized Value per SF			**$223**	

Source: Economics Research Associates

Table 9
Second Scenario - Parking Constrained

V-2B VILLAGE DEVELOPMENT COSTS

Project Square Footage

Retail	30,000
Office	15,000
Residential for Sale	89,100

Underground Parking (Residential Spaces only) 121 1 underground parking level

	Total	Per SF	Per Space	Per Unit	% of Total
Direct Costs					
Direct Costs, Retail /1	$2,880,000	$96			10.5%
Direct Costs, Office /1	$2,025,000	$135			7.4%
TI Allowance	$900,000	$20			3.3%
Direct Costs, Residential /1	$10,157,000	$114			36.9%
Direct costs, Underground Parking	$1,092,857			$9,000	4.0%
Subtotal Direct Costs	**$17,054,857**				61.9%
Commercial Parking Fee	**$2,193,750**		$13,000		8.0%
Soft Costs					
Developer Overhead 2/	$682,194				2.5%
Residential Open Space Fee	$810,000			$10,000	2.9%
Commercial and Residential Fees 3/	$1,993,770				7.2%
Financing Costs /4	$1,534,937				5.6%
Architectural & Engineering 5/	$511,646				1.9%
Miscelaneous (Legal and Other)	$250,000				0.9%
Subtotal Indirect Costs	**$5,782,547**				21.0%
Contingency 6/	**$2,503,115**				9.1%
Total Development Cost (excluding land)	**$27,534,270**				100.0%

1/ Includes site improvements, demolition, construction cost, contingency, etc.
2/ Based on 4% of Subtotal Direct Costs
3/ Includes Public Facility, Sewer, Park, Plan Check, Building Permit, School and Water Capacity Fees
4/ Based on 9% of Subtotal Direct costs
5/ Based on 3% of Subtotal Direct Costs
6/ Based on 10% of Subtotal Direct Costs, Commercial Parking Fee and Subtotal Indirect Costs

Source: Economics Research Associates

Table 10
Second Scenario - Parking Constrained

V-2B VILLAGE FINANCING ESTIMATE

Revenues		**Amount**
For-sale Housing Revenue		$24,378,000
Capitalized Value of Retail Rental Property		$10,032,000
Total Sources of Revenue		**$34,410,000**
Costs		
Direct Costs		$17,054,857
Commercial Parking Fee		$2,193,750
Indirect Costs (Soft Costs, Financing & Fees)		$5,783,000
Contingency		$2,503,000
Total Costs Excluding Land		**$27,534,607**
Developer Profit	12%	$3,304,153
Total Costs Excluding Land		**$30,838,760**
NET		**$3,571,240**
Residential Value per SF of Land		**$71.4**

Source: Economics Research Associates

Table 11
UC-12 H STREET TROLLEY ASSUMPTIONS

Lot Size	**50,000**
Maximum Coverage	**50%**
Lot Available for Construction	**25,000**

Floor Area Ratio	**6**
Maximum Construction SF	**300,000**

Square Feet Breakdown	**Percentage**	**SF**
- Residential	**83.3%**	**250,000**
- Retail	**8.3%**	**25,000**
- Office	**8.3%**	**25,000**

Parking Spaces		
- Onsite Residential *	**1**	**227**
- Onsite Commercial	**2**	**100**

*** 1 parking space per residential unit**

Source: Economics Research Associates

Table 12
UC-12 H STREET TROLLEY ESTIMATED REVENUES FROM RESIDENTIAL PROPERTY SALE

Unit Type	Total Residential SF	Average Size per Unit	# of Units	Square Footage Per Unit	Price Per Unit	Price Per Square Foot	Total Sales Revenue
Condominium Units	250,000	1,100	227	1,100	$344,850	$313.50	$78,280,950
Total			**227**				**$78,280,950**

Residential Revenue		
Total Sales		$78,280,950
Cost of Sale	4%	($3,131,238)
Net Residential Revenue		**$75,150,000**
Revenue per SF		**$301**

Source: Economics Research Associates.

Table 13
UC-12 H STREET TROLLEY ESTIMATED COMMERCIAL SPACE REVENUE

Leasable Retail SF			25,000	SF
Leasable Office SF			25,000	SF
Total Leasable SF			50,000	SF
NNN Monthly Retail Rental Rate		$	2.25	per month
NNN Monthly Office Rental Rate		$	2.50	per month
Gross Retail Annual Rental Income			$675,000	
Gross Office Annual Rental Income			$750,000	
Total Gross Annual Rental Income			$1,425,000	
Less Vacancy & Collection	5%	$	(71,250)	
Gross Effective Income			$1,353,750	
Non-reimbursable operating expenses	4%		(54,150)	
Net Operating Income			$1,299,600	
Cap Rate			9%	
Estimated Capitalized Value			**$14,440,000**	
Capitalized Value per SF			**$289**	

Source: Economics Research Associates

Table 14
UC-12 H STREET TROLLEY DEVELOPMENT COSTS

Project Square Footage

Retail	25,000
Office	25,000
Residential for Sale	250,000

Underground Parking (Residential Spaces)	227	2 underground residential parking levels
Underground Parking (Commercial Spaces)	100	1 underground commercial parking level

	Total	Per SF	Per Unit	% of Total
Direct Costs				
Direct Costs, Retail /1	$2,400,000	$96		3.0%
Direct Costs, Office /1	$3,375,000	$135		4.3%
TI Allowance	$1,000,000	$20		1.3%
Direct Costs, Residential /1	$40,000,000	$160		50.6%
Direct costs, Residential Underground Parking	$5,675,000		$25,000	7.2%
Direct costs, Commercial Underground Parking	$2,500,000		$25,000	3.2%
Subtotal Direct Costs	**$54,950,000**			69.6%
Soft Costs				
Developer Overhead 2/	$2,198,000			2.8%
Residential Open Space Fee	$2,270,000		$10,000	2.9%
Commercial and Residential Fees 3/	$5,556,486			7.0%
Financing Costs /4	$4,945,500			6.3%
Architectural & Engineering 5/	$1,648,500			2.1%
Miscelaneous (Legal and Other)	$250,000			0.3%
Subtotal Indirect Costs	**$16,868,486**			21.4%
Contingency 6/	**$7,181,849**			9.1%
Total Development Cost (excluding land)	**$79,000,335**			100.0%

1/ Includes site improvements, demolition, construction cost, contingency, etc.

2/ Based on 4% of Subtotal Direct Costs

3/ Includes Public Facility, Sewer, Park, Plan Check, Building Permit, School and Water Capacity Fees

4/ Based on 9% of Subtotal Direct costs

5/ Based on 3% of Subtotal Direct Costs

6/ Based on 10% of Subtotal Direct Costs, Commercial Parking Fee and Subtotal Indirect Costs

Source: Economics Research Associates

Table 15
UC-12 H STREET TROLLEY FINANCING ESTIMATE

Revenues		**Amount**
For-sale Housing Revenue		$75,150,000
Capitalized Value of Retail Rental Property		$14,440,000
Total Sources of Revenue		**$89,590,000**
Costs		
Direct Costs		$54,950,000
Indirect Costs (Soft Costs, Financing & Fees)		$16,868,486
Contingency		$7,181,849
Total Costs Excluding Land		**$79,000,335**
Developer Profit	12%	$9,480,040
Total Costs Excluding Land		**$88,480,375**
NET		**$1,109,625**
Residential Value per SF of Land		**$22.2**

Source: Economics Research Associates